
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any of the contents of this circular, you should obtain independent professional advice.

If you have sold or transferred all your H Shares in Shanghai Jin Jiang International Hotels (Group) Company Limited, you should at once hand this circular together with the form of proxy and reply slip to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Shanghai Jin Jiang International Hotels (Group) Company Limited* 上海錦江國際酒店(集團)股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02006)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION ACQUISITIONS OF SHARES IN JIN JIANG INVESTMENT AND JIN JIANG TRAVEL INVOLVING ISSUE OF NEW DOMESTIC SHARES AND PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Financial Adviser



China International Capital Corporation Hong Kong Securities Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



CIMB Securities (HK) Limited

A letter from the Board of the Company is set out on pages 5 to 39 of this circular. A letter from the Independent Board Committee is set out on pages 40 to 41 of this circular. A letter from the Independent Financial Adviser is set out on pages 42 to 78 of this circular. Two notices convening each of the EGM and the H Shareholders' Class Meeting to be held on 15 November 2010 at Tomson Hall, InterContinental Pudong Shanghai, No. 777 Zhang Yang Road, Shanghai, the PRC are set out on pages 336 to 343 of this circular.

If you intend to attend the EGM and the H Shareholders' Class Meeting, please complete and return the appropriate reply slip in accordance with the instructions printed thereon as soon as possible and in any event by no later than 26 October 2010.

Whether or not you are able to attend the EGM and the H Shareholders' Class Meeting, please complete and return the appropriate form of proxy in accordance with the instructions printed thereon. The form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either executed under its common seal or under the hand of its director(s) or duly authorised attorney(s). If that instrument is signed by an attorney of the Company's member, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.

In the case of joint holders of shares of the Company, only the holder whose name stands first in the register of members of the Company shall alone be entitled to vote at the EGM and the H Shareholders' Class Meeting, either in person or by proxy in respect of such shares.

For holders of the H Shares of the Company, please return the proxy form together with any documents of authority to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, and in any event not later than 24 hours before the time appointed for holding the EGM and the H Shareholders' Class Meeting. For holders of the Domestic Shares of the Company, please return the proxy form together with any documents of authority to the Joint Company Secretarial Office of the Company in the PRC at 26th Floor, Union Building, No. 100 Yan'an East Road, Shanghai, the PRC as soon as possible, and in any event not later than 24 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM and the H Shareholders' Class Meeting, or any adjournment thereof should you so wish.

* The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name and the English name "Shanghai Jin Jiang International Hotels (Group) Company Limited".

30 September 2010

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisitions”	the acquisition of 212,586,460 shares in Jin Jiang Investment from Jin Jiang International and the acquisition of 66,556,270 shares in Jin Jiang Travel from Jin Jiang International, pursuant to the Share Transfer Agreement.
“Articles of Association”	Articles of Association of the Company.
“associate”	has the meaning ascribed thereto under the Listing Rules.
“Board”	the board of directors of the Company.
“CASBE”	financial reporting standards and interpretations for business enterprises issued by the China Accounting Standards Committee of the China Ministry of Finance.
“Cash Consideration”	RMB772,908,804 (equivalent to approximately HK\$888,400,924.14) to be paid to Jin Jiang International in cash for the settlement of part of the consideration payable for the Acquisitions pursuant to the Share Transfer Agreement.
“CIMB”	聯昌國際證券(香港)有限公司 (CIMB Securities (HK) Limited).
“Company”	上海錦江國際酒店(集團)股份有限公司 (Shanghai Jin Jiang International Hotels (Group) Company Limited), a joint stock limited company established in the People’s Republic of China, the 1,391,500,000 H shares of which are listed on the Stock Exchange.
“Completion”	completion of the Acquisitions.
“Condition Precedents”	the condition precedents to Completion, as set out under the section headed “Condition Precedents” in this circular.
“connected person”	has the meaning ascribed thereto under the Listing Rules.
“Consideration Shares”	1,001,000,000 new Domestic Shares to be issued at the issue price of HK\$2.2 per share (i.e. RMB1.919192, taking an exchange rate of HK\$1.00 = RMB0.87236) for the settlement of part of the consideration payable for the Acquisitions pursuant to the Share Transfer Agreement.
“Controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules.

DEFINITIONS

“Domestic Shares”	domestic shares of book value of RMB1.00 each in the share capital of the Company.
“Directors”	the directors of the Company.
“EGM”	an extraordinary general meeting of the Company to be convened at Tomson Hall, InterContinental Pudong Shanghai, No. 777 Zhang Yang Road, Shanghai, the PRC on Monday, 15 November 2010 for the purposes of considering, among others, the Acquisitions, the issue of the Consideration Shares and the proposed amendments to the Articles of Association.
“Enlarged Group”	the Company and its subsidiaries after Completion.
“Group”	the Company and its subsidiaries.
“H Shares”	Hong Kong listed shares of RMB1.00 each in the share capital of the Company.
“H Shareholders”	holder(s) of the H Shares of the Company.
“H Shareholders’ Class Meeting”	the class meeting of the H Shareholders to be convened at Tomson Hall, InterContinental Pudong Shanghai, No. 777 Zhang Yang Road, Shanghai, the PRC on Monday, 15 November 2010 or immediately after the conclusion of the EGM held earlier on the same date for the purposes of approving the Acquisitions and the issue of the Consideration Shares.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.
“Hong Kong”	Hong Kong Special Administrative Region of the PRC.
“IHR”	Interstate Hotels & Resorts, Inc., a corporation incorporated in the State of Delaware, the United States of America.
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors, namely, Mr. Ji Gang, Mr. Xia Dawei, Mr. Sun Dajian, Dr. Rui Mingjie, Mr. Yang Menghua, Dr. Tu Qiyu, Mr. Shen Chengxiang and Mr. Lee Chung Bo.
“Independent Financial Adviser”	CIMB, a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares).

DEFINITIONS

“Independent Shareholders”	the shareholders of the Company, except Jin Jiang International and its associates.
“Jin Jiang Hotels Development”	上海錦江國際酒店發展股份有限公司 (Shanghai Jin Jiang International Hotels Development Company Limited), a subsidiary of the Company which is incorporated as a joint stock limited company in the PRC in which the Company holds a 50.32% equity interest as at the Latest Practicable Date and whose A shares and B shares are listed on the Shanghai Stock Exchange as at the Latest Practicable Date.
“Jin Jiang Inn”	錦江之星旅館有限公司 (Jin Jiang Inn Company Limited), a limited liability company established in the PRC.
“Jin Jiang International”	錦江國際(集團)有限公司 (Jin Jiang International Holdings Company Limited), the Controlling Shareholder of the Company.
“Jin Jiang International HK”	Jin Jiang International Group (HK) Co., Limited (錦江國際集團(香港)有限公司), a limited liability company incorporated in Hong Kong.
“Jin Jiang Investment”	上海錦江國際實業投資股份有限公司 (Shanghai Jin Jiang International Industrial Investment Co., Ltd.), a joint stock limited company established in the PRC whose A shares and B shares are listed on the Shanghai Stock Exchange.
“Jin Jiang Investment Group”	Jin Jiang Investment and its subsidiaries.
“Jin Jiang Travel”	上海錦江國際旅遊股份有限公司 (Shanghai Jinjiang International Travel Co., Ltd.), a joint stock limited company established in the PRC whose B shares are listed on the Shanghai Stock Exchange.
“Jin Jiang Travel Group”	Jin Jiang Travel and its subsidiaries.
“Latest Practicable Date”	27 September 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange.
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules.

DEFINITIONS

“percentage ratios”	has the meaning ascribed to such term under the Listing Rules.
“PRC” or “China”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan.
“RMB”	Renminbi, the lawful currency of the PRC.
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended and supplemented from time to time.
“Share Transfer Agreement”	the share transfer agreement dated 13 August 2010 entered into between Jin Jiang International and the Company, pursuant to which Jin Jiang International agreed to sell 212,586,460 shares in Jin Jiang Investment and 66,556,270 shares in Jin Jiang Travel to the Company.
“Shareholder(s)”	Holder(s) of Shares of the Company.
“Shares”	Domestic Shares and H Shares.
“Star-rated”	number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“subsidiary”	has the meaning ascribed to such term under the Listing Rules.
“Supervisor(s)”	the supervisor(s) of the Company.
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers.
“Target Companies”	Jin Jiang Investment and Jin Jiang Travel.
“US\$”	United States Dollars, the lawful currency of the United States of America.
“Working Day(s)”	a day other than (i) Saturday or Sunday; or (ii) public holiday in the PRC; or (iii) a day when banks in the PRC can or must be closed in accordance with PRC laws. A Working Day must at the same time be a trading day of the Shanghai Stock Exchange.

LETTER FROM THE BOARD



Shanghai Jin Jiang International Hotels (Group) Company Limited*
上海錦江國際酒店(集團)股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02006)

Executive Directors:

Mr. Yu Minliang
Ms. Chen Wenjun
Mr. Yang Weimin
Mr. Chen Hao
Mr. Xu Zurong
Mr. Han Min
Mr. Kang Ming

Non-executive Director:

Mr. Shen Maoxing

Independent non-executive Directors:

Mr. Ji Gang
Mr. Xia Dawei
Mr. Sun Dajian
Dr. Rui Mingjie
Mr. Yang Menghua
Dr. Tu Qiyu
Mr. Shen Chengxiang
Mr. Lee Chung Bo

Legal address in the PRC:

Room 316-318
No. 24 Yang Xin Dong Road
Shanghai
The PRC

*Principal places of business
in the PRC:*

26/F., Union Building
No. 100 Yan'an East Road
Shanghai, the PRC (Puxi)

13th Floor
Youyou Yanqiao Building
No. 489 Pudian Road
Shanghai, the PRC (Pudong)

*Principal place of business
in Hong Kong:*

Room 3203, 32nd Floor
Shun Tak Centre, West Tower
200 Connaught Road Central
Hong Kong

30 September 2010

To the holders of Shares of the Company

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
ACQUISITIONS OF SHARES IN JIN JIANG INVESTMENT AND
JIN JIANG TRAVEL INVOLVING ISSUE OF NEW DOMESTIC SHARES
AND
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

I. INTRODUCTION

Reference is made to the Company's announcement dated 13 August 2010.

* *The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name and the English name "Shanghai Jin Jiang International Hotels (Group) Company Limited".*

LETTER FROM THE BOARD

The main purpose of this circular is to provide you with, among other things:

- (a) details of the Acquisitions as set out in this circular;
- (b) financial information on the Group;
- (c) the unaudited pro forma financial information of the Enlarged Group;
- (d) an accountants' report of the Jin Jiang Investment Group;
- (e) an accountants' report of the Jin Jiang Travel Group;
- (f) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the Share Transfer Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares);
- (g) the recommendation of the Independent Board Committee in respect of the terms of the Share Transfer Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares);
- (h) details of the proposed amendments to the Articles of Association; and
- (i) notice of each of the EGM and the H Shareholders' Class Meeting.

II. THE ACQUISITIONS

Share Transfer Agreement

- 1. **Date:** 13 August 2010
- 2. **Parties**
 - Purchaser:* the Company
 - Vendor:* Jin Jiang International
 - Target Companies:* (i) Jin Jiang Investment; and
(ii) Jin Jiang Travel
- 3. **Shares to be Acquired**

Subject to the satisfaction of the Condition Precedents, the Company will acquire 212,586,460 shares in Jin Jiang Investment (representing approximately 38.54% of the total registered share capital of Jin Jiang Investment) and 66,556,270 shares in Jin Jiang Travel (representing approximately 50.21% of the total registered share capital of Jin Jiang Travel) from Jin Jiang International under the Share Transfer Agreement. The acquisition of 212,586,460 shares in Jin Jiang Investment and the acquisition of 66,556,270 shares in Jin Jiang Travel are inter-conditional.

LETTER FROM THE BOARD

4. Consideration

Pursuant to the Share Transfer Agreement, the consideration payable for the acquisition of 212,586,460 shares in Jin Jiang Investment is RMB2,081,221,443 (equivalent to approximately HK\$2,392,208,555.17) and the consideration payable for the acquisition of 66,556,270 shares in Jin Jiang Travel is RMB612,798,553 (equivalent to approximately HK\$704,366,152.87). The aggregate consideration for the Acquisitions in the amount of RMB2,694,019,996 (equivalent to approximately HK\$3,096,574,708.04) will be satisfied by way of the Company (i) transferring to Jin Jiang International a security deposit in the amount of RMB231,872,641.20 (equivalent to approximately HK\$266,520,277.24) previously paid by the Company and its bank interests as part of the Cash Consideration on the date when all the Condition Precedents are satisfied; (ii) paying to Jin Jiang International balance of the Cash Consideration after satisfaction of all the Condition Precedents and before the date of Completion; and (iii) issuing and allotting to Jin Jiang International 1,001,000,000 new Domestic Shares at a price of HK\$2.2 per Consideration Share (i.e. RMB1.919192 per Consideration Share, taking an exchange rate of HK\$1.00 = RMB0.87236) after satisfaction of all the Condition Precedents and before the date of Completion.

The Cash Consideration will be funded by internal resources of the Company and financing. The Consideration Shares are proposed to be issued pursuant to the specific mandate to be sought from the Independent Shareholders at the EGM and the H Shareholders' Class Meeting. There is no special restriction applied to the subsequent sale of the Consideration Shares compared with the Domestic Shares in issue as at the date of this circular. The issue of the Consideration Shares for the Acquisitions will not result in any change of control of the Company.

The Share Transfer Agreement shall become effective on the date when it is (i) duly signed by the legal representative or authorised representative of each of the parties to the Share Transfer Agreement; (ii) approved by the respective internal decision-making bodies of the parties to the Share Transfer Agreement; and (iii) approved by the decision-making bodies of the government (including the China Securities Regulatory Commission, the State-owned Assets Supervision and Administration Commission of the State Council and the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government). The aggregate of the remuneration payable to and benefits in kind receivable by the Directors and the Supervisors will not be varied in consequence of the Acquisitions.

The Share Transfer Agreement was negotiated and entered into on an arm's length basis and on normal commercial terms. The consideration payable for the acquisition of 212,586,460 shares in Jin Jiang Investment was determined with reference to 90% of the arithmetic average of daily weighted average prices of the A shares of Jin Jiang Investment as quoted on the Shanghai Stock Exchange for 30 trading days before the date of signing of the Share Transfer Agreement (i.e. RMB9.79 per share (equivalent to approximately HK\$11.25 per share)) and the consideration payable for the acquisition of 66,556,270 shares in Jin Jiang Travel was determined

LETTER FROM THE BOARD

with reference to 90% of the arithmetic average of daily weighted average prices of the B shares of Jin Jiang Travel as quoted on the Shanghai Stock Exchange for 30 trading days before the date of signing of the Share Transfer Agreement (i.e. US\$1.359 per share (equivalent to approximately HK\$10.57 per share or RMB9.207225, taking an exchange rate of US\$1.00 = RMB6.775)).

The issue price of HK\$2.2 per Consideration Share (i.e. RMB1.919192 per Consideration Share, taking an exchange rate of HK\$1.00 = RMB0.87236) to be issued by the Company was determined after arm's length negotiations between Jin Jiang International and the Company and is equal to the average closing price of approximately HK\$2.2 per H share of the Company as quoted on the Stock Exchange for the trading days of the H Shares in the 12 months prior to and including 30 July 2010 (the "Last Trading Day"), being the last trading day before the date on which the Share Transfer Agreement was signed. The issue price represents:

- (i) a premium of approximately 6.3% over HK\$2.07, being the closing price per H share of the Company as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 12.01% over HK\$1.964, being the daily weighted average prices of the H share of the Company for the 5 trading days before the Last Trading Day.

The financial information of the Target Companies is set out in the following table:

Target Companies	Audited net asset value of the Target Companies attributable to the shares to be acquired as at 31 December 2009 <i>(RMB) (See Note below)</i>	Audited net profit before taxation and extraordinary items of the Target Companies attributable to the shares to be acquired for the financial year ended 31 December 2008 <i>(RMB) (See Note below)</i>	Audited net profit before taxation and extraordinary items of the Target Companies attributable to the shares to be acquired for the financial year ended 31 December 2009 <i>(RMB) (See Note below)</i>	Audited net profit after taxation and extraordinary items of the Target Companies attributable to the shares to be acquired for the financial year ended 31 December 2008 <i>(RMB) (See Note below)</i>	Audited net profit after taxation and extraordinary items of the Target Companies attributable to the shares to be acquired for the financial year ended 31 December 2009 <i>(RMB) (See Note below)</i>
Jin Jiang Investment	approximately 811,147,058.88 (equivalent to approximately HK\$932,352,941.24)	approximately 161,439,131.73 (equivalent to approximately HK\$185,562,220.38)	approximately 133,809,414.99 (equivalent to approximately HK\$153,803,925.28)	approximately 148,784,156.52 (equivalent to approximately HK\$171,016,271.86)	approximately 119,105,382.58 (equivalent to approximately HK\$136,902,738.60)
Jin Jiang Travel	approximately 574,140,320.67 (equivalent to approximately HK\$659,931,403.07)	approximately 13,312,384.99 (equivalent to approximately HK\$15,301,591.94)	approximately 23,385,401.56 (equivalent to approximately HK\$26,879,771.91)	approximately 9,934,939.21 (equivalent to approximately HK\$11,419,470.36)	approximately 19,762,270.17 (equivalent to approximately HK22,715,253.07)

Note: The above financial figures were prepared under CASBE and relevant regulations.

LETTER FROM THE BOARD

5. Condition Precedents

The Share Transfer Agreement shall be completed upon satisfaction of the following conditions:

- (i) all the approvals, consents and permissions of the government authorities required for the Acquisitions and all the approvals, consents and permissions required for the related matters are obtained. Such approvals, consents and permissions include:
 - a) the approval of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government;
 - b) the approval of the State-owned Assets Supervision and Administration Commission of the State Council; and
 - c) the approval of the China Securities Regulatory Commission.
- (ii) the approvals, consents and permissions have made no material amendments or changes to the terms, conditions or contents of the Share Transfer Agreement (including but not limited to the shares of Jin Jiang Investment and Jin Jiang Travel to be transferred under the Share Transfer Agreement and the consideration etc.);
- (iii) Jin Jiang International and the Company have completed internal approval procedures (including but not limited to the Independent Shareholders' approval and the H Shareholders' approval of the Company) for the Acquisitions;
- (iv) Jin Jiang International and the Company have not breached their respective warranties under the Share Transfer Agreement;
- (v) Jin Jiang International and the Company have not breached their respective obligations under the Share Transfer Agreement;
- (vi) the shares of Jin Jiang Investment and Jin Jiang Travel held by Jin Jiang International are true, legal, not subject to charges and are in a good condition for transfer.

6. Security Deposit

The Company will pay a security deposit in the sum of RMB231,872,641.20 (equivalent to approximately HK\$266,520,277.24) to a bank account jointly held by Jin Jiang International and the Company within 5 Working Days after the date of signing of the Share Transfer Agreement. This security deposit and its bank interests will be transferred to a bank account designated by Jin Jiang International on the date when all the Condition Precedents are satisfied, as part of the Cash Consideration.

LETTER FROM THE BOARD

If any Condition Precedent is not satisfied or all the Condition Precedents other than the completion of the internal approval procedures of Jin Jiang International and the Company (including but not limited to the Independent Shareholders' approval and the H Shareholders' approval of the Company) are not satisfied within 1 year from the date when such internal approval procedures are completed, the aforesaid security deposit and its bank interests will be returned back to the bank account designated by the Company within 2 Working Days from the date after any of the aforesaid circumstances takes place.

7. Completion

Completion of the Share Transfer Agreement shall take place when the China Securities Depository and Clearing Corporation Limited Shanghai Branch issues a confirmation for registration of transfer of shares.

Reasons for and Benefits of the Acquisitions

The reasons and benefits of the Acquisitions are:

1. the Acquisitions will help the Company to build a listed platform with the Company acting as the core corporation and to extend its hotel and tourism business chain: in addition to the star-rated hotel business and the budget hotel business owned and operated by the Company, the Company will, after Completion, extend its operation to the upstream and downstream business sectors, including passenger transportation and logistics business and travel agency business, so that its core business of hotel and tourism will cover the entire industry chain and enhance the brand image of "Jin Jiang" in the hotel and tourism service sectors;
2. the Acquisitions will help the Company to create synergy effect and develop new business models: hotel operations, passenger transportation and logistics operations and travel agencies are highly complementary and associated businesses and are parts of the tourism industry chain. Integration of these businesses can create significant synergy effects in the areas of customer sources, marketing channels and brand building etc. and provide the Company with flexibility in developing new business models. After Completion, the Company can, through associated business relationships and common shareholding management, centralize allocation of resources, increase its revenue and reduce its cost; and
3. the Acquisitions will help the Company to expand its scale and enhance its overall competitiveness and shareholders' value: after Completion, the total assets and net assets of the Company will be increased and the revenue and net profit of the Company will be significantly increased.

LETTER FROM THE BOARD

Financial Effects to the Group Arising from the Acquisitions

As the Company currently indirectly holds approximately 2.22% of the total registered share capital of Jin Jiang Investment and Jin Jiang Travel currently directly and indirectly holds approximately 0.15% of the total registered share capital of Jin Jiang Investment, upon Completion, each of Jin Jiang Investment and Jin Jiang Travel will become a 40.91% owned subsidiary and a 50.21% owned subsidiary of the Company. The Acquisitions would bring the following financial effects to the Group:

1. Assets and Liabilities

Based on the unaudited pro forma financial information on the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma total assets and liabilities would be approximately RMB16,531,955,000 and RMB5,775,223,000, representing an increase of approximately 30.79% and 42.37% over the Group's unaudited total assets and liabilities as at 30 June 2010 of approximately RMB12,640,445,000 and RMB4,056,418,000 respectively.

2. Earnings

Assuming the Acquisitions had been completed on 1 January 2009, the Enlarged Group's unaudited pro forma consolidated profit attributable to the Shareholders would be increased to approximately RMB239,570,000, representing an increase of approximately 101.54% over the Group's audited consolidated profit attributable to the Shareholders for the year ended 31 December 2009 of approximately RMB118,869,000.

3. Gearing Ratio

As referred to the 2010 interim report of the Company, the gearing ratio of the Group, which is calculated on the basis of total borrowings divided by total assets, was approximately 16.00%. Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group as set out in Appendix III to this circular, the gearing ratio of the Enlarged Group (being total borrowings of approximately RMB2,054,673,000 divided by total assets of approximately RMB16,531,955,000) will decrease to approximately 12.43%.

4. Working Capital

Since a substantial part of the consideration of the Acquisitions will be satisfied by the issue of the Consideration Shares and the Cash Consideration will be funded by internal resources of the Company and financing, it is expected that there will be no significant effect on the working capital of the Group immediately after Completion.

LETTER FROM THE BOARD

Business Prospect of the Enlarged Group

Upon Completion, the Enlarged Group will also engage in passenger transportation, logistics and travel agency businesses. The income source of the Enlarged Group will be expanded. The Acquisitions will enable the Group to create synergy effect among the above new businesses and the Group's current hotel operation and management businesses. The Directors are optimistic that the continued development of the hotel tourism industry will bring more business opportunities to the Enlarged Group.

Trend of the Business of the Group since 31 December 2009 and Business Prospects

The global financial tsunami and the outbreak of the Influenza A (H1N1) pandemic had made the year of 2009 one of the most difficult years for the hotel industry. However, since the beginning of the second quarter of 2010, the business of the Group's high-end Star-rated hotels had shown signs of gradual recovery and the Group's hotels in all categories had reported a significant year-on-year growth in average room revenue per available room, especially after the opening of the Shanghai World Expo 2010.

The continuation of the Shanghai World Expo 2010 will attract increasing attention. The Group will seek to showcase its superior brand image amid the success of this spectacular and memorable event, seizing every business opportunity to maximize the Expo effect to its benefit.

General Information

1. *Principal Business Activities*

a) the Group

The Group is principally engaged in star-rated hotel operation and management, budget hotel operation and franchising, food and restaurants and other businesses.

b) Jin Jiang International

Jin Jiang International is the Controlling Shareholder of the Company and is one of the largest integrated hotel and travel conglomerates in the PRC.

c) Jin Jiang Investment

Jin Jiang Investment is principally engaged in the provision of vehicle operating and relevant services, trading of automobiles and relevant business, refrigerated logistics business and freight forwarding and relevant logistics business. The principal operations of Jin Jiang Investment are located in Shanghai.

LETTER FROM THE BOARD

d) Jin Jiang Travel

Jin Jiang Travel is principally engaged in the provision of travel agency and related services, property leasing and management and other businesses. The principal operations of Jin Jiang Travel are located in Shanghai.

2. Public Float

Upon Completion, 1,391,500,000 H Shares, representing 25% of the total registered share capital of the Company after Completion, will be held by the public shareholders of the Company. The following is the shareholding structure of the Company immediately before and after Completion:

Shareholders	Current Shareholding		Shareholding upon Completion	
	Shares	% of total registered share capital	Shares	% of total registered share capital
Jin Jiang International	3,014,825,000 Domestic Shares	approximately 66.04%	4,015,825,000 Domestic Shares (after allotment of 1,001,000,000 new Domestic Shares)	approximately 72.15% (Note)
Shanghai Jin Jiang International Investment and Management Company Limited	158,675,000 Domestic Shares	approximately 3.48%	158,675,000 Domestic Shares	approximately 2.85% (Note)
Public	1,391,500,000 H Shares	approximately 30.48%	1,391,500,000 H Shares	25%
Total	4,565,000,000 Shares	100%	5,566,000,000 Shares	100%

Note: Jin Jiang International has applied for an approval from the State-owned Assets Supervision and Administration Commission of the State Council to transfer the 158,675,000 Domestic Shares held by Shanghai Jin Jiang International Investment and Management Company Limited, a wholly owned subsidiary of Jin Jiang International, to itself. In the event that the approval is granted before Completion, such Domestic Shares will be held by Jin Jiang International directly such that Jin Jiang International will hold 4,174,500,000 Domestic Shares, representing 75% of the total registered share capital of the Company upon Completion.

3. Implications under the Listing Rules

As the relevant applicable percentage ratios set out in the Listing Rules for the Acquisitions (after aggregation) exceed 100%, the Acquisitions constitute a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules. In

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addition, as Jin Jiang International is the Controlling Shareholder of the Company, it is a connected person of the Company. Accordingly, the Acquisitions constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the Independent Shareholders' approval requirement as required under Rule 14A.48 of the Listing Rules.

The Board (including the independent non-executive Directors, whose view is formed after taking into account the advice from the Independent Financial Adviser) believes that the terms of the Share Transfer Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares) are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole. No Directors had a material interest in the Acquisitions and the issue of the Consideration Shares. However, as Mr. Yu Minliang (executive Director) is the chairman of Jin Jiang International, Mr. Shen Maoxing (non-executive Director) is a vice chairman and the president of Jin Jiang International and the chairman of Jin Jiang Investment (a subsidiary of Jin Jiang International) and Jin Jiang International HK (a subsidiary of Jin Jiang International), respectively and Ms. Chen Wenjun (executive Director) is a senior vice president of Jin Jiang International, a director of Jin Jiang Investment (a subsidiary of Jin Jiang International) and Jin Jiang International HK (a subsidiary of Jin Jiang International), respectively and the chairman of Shanghai Jin Jiang International Investment and Management Company Limited (a subsidiary of Jin Jiang International), they have abstained from voting on the resolution to approve the Acquisitions and the issue of the Consideration Shares pursuant to the Articles of Association.

Jin Jiang International is the Controlling Shareholder of the Company, therefore Jin Jiang International and its associate(s) are connected persons (as defined under the Listing Rules) of the Company. Pursuant to Rule 14A.59(5) of the Listing Rules, where independent shareholders' approval is required with regard to a connected transaction, any connected person with a material interest in such transaction and any shareholder with a material interest in such transaction and its associates, will not vote on such transaction. Accordingly, Jin Jiang International and its associate(s) shall at the EGM abstain from voting in respect of the relevant resolutions to approve the Acquisitions and the issue of the Consideration Shares, which will be taken on a poll as required under the Listing Rules. As at the Latest Practicable Date, Jin Jiang International and its associates controlled or were entitled to exercise control over the voting rights in respect of 3,173,500,000 Domestic Shares in the Company, representing approximately 69.52% of the entire issued share capital of the Company. To the extent that the Company is aware having made all reasonable enquiries, as at the Latest Practicable Date:

- (i) there was no voting trust or other agreement, arrangement or understanding entered into by or binding upon Jin Jiang International;

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- (ii) Jin Jiang International was not subject to any obligation or entitlement whereby it had or might have temporarily or permanently passed control over the exercise of the voting right in respect of its shares in the Company to a third party, whether generally or on a case-by-case basis; and
- (iii) it was not expected that there would be any discrepancy between Jin Jiang International's beneficial shareholding interest in the Company, and the number of Shares in the Company in respect of which it would control or would be entitled to exercise control over the voting right at the EGM.

As far as the Directors are aware, other than Jin Jiang International and its associate(s), no other Shareholder has a material interest in the Acquisitions and the issue of the Consideration Shares and has to abstain from voting at the EGM in respect of the relevant resolutions to approve the Acquisitions and the issue of the Consideration Shares.

The Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Share Transfer Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares). The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares). The letter from the Independent Board Committee and its recommendations to the Independent Shareholders are set out on pages 40 to 41 of this circular, and the opinion letter from the Independent Financial Adviser is set out on pages 42 to 78 of this circular.

4. Management Discussion and Analysis of the Financial Information of the Jin Jiang Investment Group and the Jin Jiang Travel Group

Shareholders should read the following discussion and analysis in conjunction with the consolidated financial information of Jin Jiang Investment Group and Jin Jiang Travel Group as of and for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, including the notes thereto, as set out in "Appendix IIA — Accountants' Report of the Jin Jiang Investment Group" and "Appendix IIB — Accountants' Report of the Jin Jiang Travel Group" to this circular. The financial information of Jin Jiang Investment Group and Jin Jiang Travel Group has been prepared in accordance with the Hong Kong Financial Reporting Standards.

Shanghai Jin Jiang International Industrial Investment Co., Ltd.

Shanghai Jin Jiang International Industrial Investment Co., Ltd. is a joint stock limited company incorporated in the PRC with A shares and B shares listed on the Shanghai Stock Exchange. It has a registered and paid-in capital of approximately RMB551.6 million. Jin Jiang Investment Group operates primarily in four business segments: (i) vehicle operating and relevant business, mainly engaged in provision of vehicle operating services; (ii) freight forwarding and relevant logistics business, primarily engaged in provision of freight forwarding services; (iii) trading of

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automobile and relevant business, mainly engaged in trading of vehicles, spare parts and related products; and (iv) refrigerated logistics business, providing refrigerated warehousing, distributing and management services. The vehicle operating business of Jin Jiang Investment Group has a history of over 50 years and is one of the leading passenger transportation service providers in Shanghai.

Business Overview

The revenues of Jin Jiang Investment Group primarily consist of income from vehicle operating and relevant business, freight forwarding and relevant logistics business and trading of automobile and relevant business. Jin Jiang Investment Group also generates revenue through refrigerated logistics business. During the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, vehicle operating and relevant business, freight forwarding and relevant logistics business and trading of automobile and relevant business were the significant income contributors. Revenue from each business segment relative to the total revenue of Jin Jiang Investment Group is summarized as follows:

Years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010

	Vehicle operating and relevant business	Freight forwarding and relevant logistics business	Trading of automobile and relevant business	Refrigerated logistics business
Percentage of total revenue	32.9%–38.5%	32.3%–42.3%	14.1%–19.1%	2.6%–4.3%

Segment profit from each reportable segment relative to the total segment profit of Jin Jiang Investment Group is summarized as follows:

Years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010

	Vehicle operating and relevant business	Freight forwarding and relevant logistics business	Trading of automobile and relevant business	Refrigerated logistics business
Percentage of total segment profit	63.3%–71.2%	5.9%–12.1%	3.7%–5.5%	4.9%–6.0%

i. Performance Analysis for the six months ended 30 June 2010

Revenue

Revenue for the six months ended 30 June 2010 amounted to RMB1,501.9 million, representing an increase of 24.1% from RMB1,209.8 million for the six months ended 30 June 2009, primarily due to a substantial increase of RMB194.7 million, or 52.7%, in revenue from freight forwarding and relevant logistics

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business. Increases in revenues from vehicle operating and relevant business (which increased by 8.1% from RMB488.9 million for the six months ended 30 June 2009 to RMB528.4 million for the same period in 2010) and trading of automobile and relevant business (which increased by 26.3% from RMB224.0 million for the six months ended 30 June 2009 to RMB283.0 million for the same period in 2010) also contributed to the overall revenue increase.

The substantial revenue growth from freight forwarding and relevant logistics business was mainly attributable to increased import and export activities reflecting the gradual economic recovery from the financial crisis. Revenue from trading of automobile and relevant business increased in line with the general growth in automobile sales industry boosted by China's rapid economic growth. The revenue increase from vehicle operating and relevant business was mainly due to vehicle fleet expansion of the group, supplemented by increases in the group's business vehicle services and tour bus services resulting from the Shanghai World Expo.

Profit Attributable to Shareholders

Profit attributable to shareholders of Jin Jiang Investment slightly increased by 2.1% to RMB143.0 million for the six months ended 30 June 2010 from RMB140.1 million for the same period in 2009. Although revenues increased by 24.1% in the first half of 2010, as a result of combined effect of increases in cost of sales and administrative expenses and decreases in investment income and other gains and losses, net profit increased by a smaller percentage than the revenue increase in the same periods.

Profit Margin

As a result of the above, the net profit margin of Jin Jiang Investment Group slightly decreased to 11.3% for the six months ended 30 June 2010 compared to 13.0% for the same period in 2009.

ii. Performance Analysis for the years ended 31 December 2007, 2008 and 2009

Revenue

Revenue for the years ended 31 December 2007, 2008 and 2009 amounted to RMB3,025.4 million, RMB3,111.8 million and RMB2,543.0 million, respectively. Revenue for the year ended 31 December 2009 decreased by 18.3% over the prior year primarily due to substantial decreases in revenues from freight forwarding and relevant logistics business and refrigerated logistics business. Revenue from freight forwarding and relevant logistics business declined by 37.2% from RMB1,305.5 million for the year ended 31 December 2008 to RMB820.2 million in 2009, primarily due to the adverse impact of the financial crisis on import and export volume. Revenue from refrigerated logistics business declined by 33.8% from RMB110.5 million for the year ended 31 December 2008 to RMB73.2 million in 2009 mainly because Jin Jiang Investment Group disposed of a

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refrigerated food processing subsidiary in 2009. Revenue for the year ended 31 December 2008 increased slightly by 2.9% over the prior year as most business segments recorded revenue growth which was partly offset by a decrease in revenue from refrigerated logistics business. For details, please see below the segment revenue analysis.

Revenue from vehicle operating and relevant business for the years ended 31 December 2007, 2008 and 2009 amounted to RMB997.6 million, RMB1,023.7 million and RMB979.9 million, respectively. Revenue from this segment increased by 2.6% for the year ended 31 December 2008 compared to the prior year mainly due to the group's expansion of vehicle fleet. Revenue decreased by 4.3% for the year ended 31 December 2009 compared to the prior year primarily due to the adverse impact of the financial crisis on the vehicle operating and relevant business, such as a decrease in business vehicle leasing by Fortune 500 customers of the group. The revenue decrease is also because changes in PRC tax regulations caused a decrease in taxi driver dues paid to the group in 2009. The changes in tax regulations also led to a corresponding decrease in cost of sales of the group.

Revenue from freight forwarding and relevant logistics business for the years ended 31 December 2007, 2008 and 2009 amounted to RMB1,280.5 million, RMB1,305.5 million and RMB820.2 million, respectively. Revenue decreased for the year ended 31 December 2009 for the reason described above.

Revenue from trading of automobile and relevant business increased by 12.1% to RMB478.2 million for the year ended 31 December 2008 compared to RMB426.8 million for the prior year, and further increased by 1.6% to RMB486.0 million for 2009. During the reported periods, the group was or became an authorized agent for Toyota, MAZDA, Volkswagen, Nissan, etc. The continued revenue increase reflected the group's expanded sales capacity through establishment and continued sales efforts of 4S stations of these brands.

Revenue from refrigerated logistics business had been decreasing for the years ended 31 December 2007, 2008 and 2009 from RMB131.4 million to RMB110.5 million and further down to RMB73.2 million. The continued decrease was because the refrigerated food processing subsidiary that the group disposed of in 2009 started to slow down its operations in the second half of 2008. Revenue from refrigerated logistics business for the years ended 31 December 2007, 2008 and 2009, net of the impact of the disposed subsidiary, would have represented a trend of steady increase.

Profit Attributable to Shareholders

Profit attributable to shareholders of Jin Jiang Investment decreased by 16.4% from RMB327.8 million for the year ended 31 December 2008 to RMB274.1 million in 2009 primarily due to an overall decrease in revenue, investment income and share of results of associates (which was primarily caused by a decrease in the share of results of Shanghai Pudong International Airport Cargo Terminal Co., Ltd. whose operations had not yet fully recovered from the

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global economic downturn) and an increase in administrative expenses caused by increased employee salaries. Profit attributable to shareholders increased by 3.3% for the year ended 31 December 2008 over RMB317.3 million for the prior year primarily due to a significant increase in investment income because of receipt of dividend from an unlisted securities company, which was partly offset by an increase in income tax expense caused by change in PRC tax laws.

Profit Margin

The net profit margin of Jin Jiang Investment Group maintained at a relatively steady level at 12.8%, 12.6% and 12.4% for the years ended 31 December 2007, 2008 and 2009, respectively.

iii. Liquidity and Capital Resources

The financial position of Jin Jiang Investment Group is summarized as follows:

	As of 31 December			As of
	2007	2008	2009	30 June
	<i>(RMB'000)</i>			2010
Current assets	917,220	1,084,122	1,043,981	1,271,747
Total assets	2,907,060	2,881,038	2,934,751	3,250,726
Current liabilities	760,822	750,909	691,270	1,070,424
Total liabilities	864,283	824,844	777,858	1,143,407
Current ratio	1.21	1.44	1.51	1.19
Gearing ratio (total borrowings to total assets)	0.80%	1.04%	N/A	0.94%

As of 30 June 2010, Jin Jiang Investment Group had net current assets of RMB201.3 million. The current assets were mainly composed of cash and cash equivalents and restricted cash of RMB784.7 million, trade and other receivables of RMB411.5 million and inventories of RMB54.8 million. The current liabilities were mainly composed of trade and other payables of RMB1,011.8 million and, to a less extent, borrowings of RMB30.6 million and tax liabilities of RMB28.0 million. Current ratio, which is calculated on the basis of current assets divided by current liabilities, improved from 1.21 as of 31 December 2007 to 1.44 as of 31 December 2008 in line with its business expansion and revenue increase which, together with the group's improvement in collection and trade turnover days, significantly increased its cash and cash equivalents. Current ratio further improved to 1.51 as of 31 December 2009 mainly due to combined effect of an increase in trade and other receivables, a decrease in dividend payable and lack of borrowings. However, current ratio decreased to 1.19 as of 30 June 2010 as a result of an increase in dividend payable as well as the group's business expansion efforts during the year, such as acquiring vehicles and

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assuming increased bank borrowings for business expansion purposes. These factors were partly offset by increases in cash and cash equivalents, trade and other receivables and inventories, which resulted from the group's past expansion activities.

Gearing ratio, which is calculated on the basis of total borrowings divided by total assets, remained relatively stable from 0.80% to 1.04% during the reported periods. As of 31 December 2009, Jin Jiang Investment Group had no borrowings.

Restricted Cash/Cash and Cash Equivalents

Restricted cash refers to cash deposited in the group's bank accounts to secure certain group's bank borrowings and note payables. Please see the paragraph headed "Charge on Assets" below for details.

As of 31 December 2007, 2008 and 2009 and 30 June 2010, restricted cash and cash and cash equivalents held by Jin Jiang Investment Group amounted to RMB532.8 million, RMB743.6 million, RMB674.0 million and RMB784.7 million, respectively, of which substantially all were denominated in RMB. Restricted cash and cash and cash equivalents denominated in currencies other than RMB (which were mainly denominated in USD) accounted for 7.3%, 4.3%, 2.3% and 3.0% of the total restricted cash and cash and cash equivalents of the group during the respective reported period. Jin Jiang Investment did not have cash and cash equivalents denominated in foreign currencies.

The restricted cash carried an average market interest rate at 0.36% per annum as of 30 June 2010. The range of market interest rates of Jin Jiang Investment Group's cash and cash equivalents was as follows.

	As of 31 December			As of
	2007	2008	2009	30 June
				2010
Interest rates	0.72%–0.81% per annum	0.36%–0.72% per annum	0.36%–0.72% per annum	0.36% per annum

Borrowings

As of 31 December 2007, 2008 and 2009 and 30 June 2010, Jin Jiang Investment Group's borrowings included secured bank borrowings of nil, nil, nil and RMB7.1 million respectively, secured by restricted cash, and unsecured bank borrowings of RMB23.3 million, RMB30.0 million, nil and RMB23.5 million respectively. All of the group's borrowings are short-term bank borrowings due within one year. Jin Jiang Investment did not have any borrowings at the end of each reported period.

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Jin Jiang Investment Group's borrowings denominated in currencies other than RMB were as follows:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD	18,262	—	—	20,743

Jin Jiang Investment Group's borrowings carried fixed interest rates and/or variable interest rates at the end of each reported period. The range of effective interest rates (which are equal to contracted interest rates) of Jin Jiang Investment Group's borrowings was as follows:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
Effective interest rates:				
Fixed interest rate borrowings	6.44%–7.47% per annum	3.40%–7.47% per annum	N/A	3.30%–6.05% per annum
Variable interest rate borrowings	N/A	N/A	N/A	1.10%–4.37% per annum

Included in the variable-rate borrowings as of 30 June 2010 were bank borrowings of RMB7.1 million that carried interest at rates based on London Interbank Offered Rate and bank borrowings of RMB6.9 million that carried interest at rates based on benchmark rate issued by the People's Bank of China.

iv. Cash Flows

The cash flow of Jin Jiang Investment Group is summarized as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>(RMB'000)</i>				
Net cash generated from operating activities	333,657	527,360	410,336	283,221	204,217
Net cash generated from/(used in) investing activities	10,760	(19,085)	(171,983)	19,511	(111,815)
Net cash generated from/(used in) financing activities	(258,520)	(297,459)	(308,017)	(202,424)	8,409
Net increase/(decrease) in cash and cash equivalents	85,897	210,816	(69,664)	100,308	100,811

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Net cash generated from/(used in) operating activities

Net cash generated from operating activities represents cash generated from operation after income taxes. Cash generated from operations consisted of profit before tax adjusted for certain non-cash items, including depreciation, share of results of associates, reclassification adjustments for the cumulative gain upon disposal of available-for-sale financial assets, dividend income from equity investments, the effect of changes in working capital and other activities.

Net cash generated from operating activities decreased to RMB204.2 million for the six month period ended 30 June 2010 compared to the six month period ended 30 June 2009, primarily attributable to a substantial increase in trade and other receivables in line with the significant revenue increase reflecting the group's continued operation expansion.

Net cash generated from operating activities for the years ended 31 December 2007, 2008 and 2009 was RMB333.7 million, RMB527.4 million and RMB410.3 million, respectively. The increase in 2008 was primarily attributable to the group's business expansion and revenue increase as well as the group's improvement in collection and trade turnover days. The decrease in 2009 reflected the revenue decrease primarily due to the adverse impact of the financial crisis on the group's operations and other reasons discussed in the performance analysis section above.

Net cash generated from/(used in) investing activities

Net cash used in investing activities for the years ended 31 December 2008, 2009 and the six months ended 30 June 2010 represented a general trend of increase. The continued increase was in line with the group's operation expansion in the respective reported period, primarily attributable to acquisition of assets, such as new operating vehicles and new taxi licenses.

Net cash generated from/(used in) financing activities

Net cash generated from financing activities was RMB8.4 million for the six month period ended 30 June 2010, compared to net cash used in financing activities of RMB202.4 million for the same period in 2009. The change was mainly because declared dividends of RMB165.5 million to shareholders of Jin Jiang Investment for the 2009 fiscal year had not been paid as of 30 June 2010 which had been fully paid as of the date of this Circular. The change was also attributable to a decrease in dividends paid to non-controlling interests of RMB44.8 million, receipt of new borrowings of RMB30.6 million and absence of repayment of borrowings.

Net cash used in financing activities increased to RMB308.0 million in 2009 compared to 2008, mainly due to an acquisition of additional interest in a subsidiary of RMB54.1 million and lack of new borrowings (fiscal 2008: RMB60.0 million) partly offset by decreases in dividend payment of RMB80.3

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million and repayment of borrowings of RMB23.3 million. Net cash used in financing activities increased to RMB297.5 million in 2008 compared to 2007, primarily due to an increase in dividend payment of RMB68.4 million.

v. Charge on Assets

As of 30 June 2010, Jin Jiang Investment Group had restricted cash amounting to RMB9.9 million to secure its bank borrowings of RMB7.1 million and note payables of RMB2.8 million. There was no charge on the group's assets as of 31 December 2007, 2008 and 2009.

vi. Investments

Jin Jiang Investment Group's significant investments during the reported periods included acquisition of property, plant and equipment, which mainly represented the net book value of taxi and buses owned by the group. As of 31 December 2007, 2008 and 2009 and 30 June 2010, payment for acquisition of property, plant and equipment amounted to RMB184.1 million, RMB280.8 million, RMB327.1 million and RMB180.2 million, respectively. The group's investment in such operating vehicles has contributed to, and its future prospects will continue to be reflected in, the steady and continuous growth of the group's vehicle operating and relevant business, which is expected to capitalize on, and grow in line with, China's increasing domestic demand and developing consumer market.

The group's other investments included its investments in various associated companies. As of 31 December 2007, 2008 and 2009 and 30 June 2010, share of results of associates amounted to RMB139.7 million, RMB122.0 million, RMB74.8 million and RMB46.7 million, respectively. The associated companies primarily operated in airport cargo terminal business, vehicle operating and relevant business and trading of automobile and relevant business. The future prospects of the group's investments in the associated companies will continue to reflect the overall performance of these associated companies. In particular, the associate in airport cargo terminal business is expected to benefit from increased import and export activities, China's continuous GDP growth as well as the gradual recovery of the global economy; the associates in vehicle operating and relevant business and trading of automobile and relevant business will also be able to capitalize on, and grow in line with, China's increasing domestic demand and developing consumer market.

vii. Acquisitions and Disposals

Shanghai Wanguo Vehicle Repair Factory, in which Jin Jiang Investment Group held 60% equity interest, started liquidation process during the year ended 31 December 2007. It was liquidated in the year ended 31 December 2009. Jin Jiang Investment Group recovered its initial investment of RMB6.9 million and recorded an investment gain of RMB13.8 million.

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During the year ended 31 December 2009, Jin Jiang Investment Group disposed of its entire 50% equity interest in a subsidiary, namely Shanghai Nichirei Food Co., Ltd., to an independent third party for a consideration of RMB14.0 million and recorded an investment gain of RMB3.7 million.

Jin Jiang Investment Group had no other material acquisitions and disposal activities during the reported periods.

viii. Foreign Currency Risk

Foreign currency risk is the risk that the holding of foreign currency assets and liabilities will affect Jin Jiang Investment Group's position as a result of a change in foreign currency exchange rates. Certain Jin Jiang Investment Group's trade and other receivables, cash and cash equivalents, trade and other payables and borrowings that are denominated in foreign currencies expose it to currency risk. For details on Jin Jiang Investment Group's currency exposure, including a sensitivity analysis, see Note 7(c)(ii) to "Appendix IIA — Accountants' Report of the Jin Jiang Investment Group." Jin Jiang Investment Group's exposure to currency risk is primarily associated with movements in the U.S. dollar, as well as a number of other currencies including the Euro, Japanese Yen and Hong Kong dollar. As of 30 June 2010, the balance of Jin Jiang Investment Group's assets and liabilities denominated in foreign currency amounted to the equivalent of RMB109.0 million and RMB58.0 million, respectively.

Jin Jiang Investment Group currently does not use any derivative contracts to hedge against its exposure to foreign currency risk. However, Jin Jiang Investment Group manages its foreign currency risk by closely monitoring the movement of foreign currency rates.

ix. Employees and Remuneration Policies

The total number of employees of Jin Jiang Investment Group as of 31 December 2007, 2008 and 2009 and 30 June 2010, was 14,267, 12,767, 12,506 and 11,285 respectively. The remuneration package for existing employees primarily comprised salaries and other benefits and retirement benefit scheme contributions. Employee remuneration is determined based on job responsibilities. The total amount of salaries and other benefits and retirement benefit scheme contributions of the group was RMB466.2 million, RMB497.2 million, RMB552.1 million and RMB274.9 million, respectively, for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. No share option scheme has been set up so far. Jin Jiang Investment Group provides training programs relevant to employees' respective job responsibilities.

x. Contingent Liabilities

As of 31 December 2007, 2008 and 2009 and 30 June 2010, a subsidiary of Jin Jiang Investment Group issued financial guarantees to banks in respect of banking facilities granted to an associate with a credit limit of approximately RMB13.6 million, RMB16.0 million, RMB13.6 million and RMB16.0 million, respectively.

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As of 31 December 2007, 2008 and 2009 and 30 June 2010, a subsidiary of Jin Jiang Investment Group issued financial guarantee to a bank in respect of banking facilities granted to an investee in which Jin Jiang Investment Group had 10% equity interest at the end of each reported period with a credit limit of RMB12.5 million, RMB12.5 million, RMB12.5 million and RMB12.5 million, respectively.

In the opinion of the directors of Jin Jiang Investment Group, these financial guarantees do not have material impact on the consolidated results and financial position of Jin Jiang Investment Group.

xi. Prospects for New Products and Services

Vehicle operating, trading of automobile and relevant businesses

Jin Jiang Investment Group strategized to expand its vehicle operating business and increase market share. In 2009, Jin Jang Investment acquired a total of 733 new taxi licenses to effectively capitalize on business opportunities brought by the Shanghai World Expo. Jin Jiang Investment Group also successfully increased its equity interest in Shanghai Jin Jiang Business & Travel Auto Service Co., Ltd. to 80% through an acquisition in 2009. The group will continue to optimize asset structure and take diverse market methods to accelerate the growth of the vehicle operating business.

Furthermore, Jin Jiang Investment Group effectively utilized the group's e-commerce platform, GPS vehicle call centre and comprehensive information management system. The development of the group's information management system is expected to strengthen its brand name and influence in the vehicle operating industry.

Jin Jiang Investment Group also restructured its vehicle operating and relevant business with the aim to create new business growth points. The continued development of Shanghai's tourism and outbound economy has created increasing demands for business vehicle rental business. Progress has also been made in cross-region vehicle rental business. In Dalian, the second largest city of Liaoning province in northeast China, Jin Jiang Investment Group has become the largest provider of vehicle rental services. Moreover, based upon market demands, Jin Jiang Investment Group continued to develop its comprehensive automobile sales, repair and maintenance services center at 100 Wuzhong Road in Shanghai to support the rapid growth of its automobile repair and maintenance business. In addition to the 4S stations for Toyota, Volkswagen and Nissan, a MAZDA 4S station was opened in 2009 to strengthen the group's capacity to expand its auto sales, repair and maintenance business. Going forward, the group will continually capitalize on its 4S stations network and endeavor to explore potential opportunities in auto sales, repair and maintenance industry.

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Freight forwarding and relevant logistics business

In response to difficulties faced by the freight forwarding industry in general, the management continued to work on the transition from traditional freight forwarding service provider to comprehensive logistics service provider. All regional branches maximized the advantages of rail-sea intramodal transport business, further developed business along the Longhai Railway, exerted great efforts to develop container service for domestic and international trade along the inner lines of the Yangtze River, and promoted river-sea joint transport business along the Yangtze River. In addition, the regional branches will endeavor to develop air terminal bonded logistics service in Suzhou, Wuhan, Beijing, Qingdao and Shanghai.

Refrigerated logistics business

Jin Jiang Investment Group vigorously developed its low-temperature logistics capacity in response to market demand. It invited strategic investors and had entered into a definitive agreement with an international investor to diversify the shareholding structure of its refrigerated logistics business. In addition, Jin Jiang Investment Group has recently completed the construction of the Wusong ultra-low temperature warehouse project. The ultra-low temperature warehouse has a capacity of approximately 11,000 tons, primarily used for refrigeration and ultra-low temperature storage with ancillary logistics functions such as processing, packing, tallying and distribution. The warehouse is the first ultra-low temperature warehouse in Shanghai enabling Jin Jiang Investment Group to capture business opportunities in the high-end cold storage sector.

xii. Developments within Industry

With its long history in vehicle operating business and market leader position in Shanghai, Jin Jiang Investment Group's overall operating results were relatively stable throughout the reported periods despite the general economic downturn triggered by the financial crisis. The ongoing Shanghai World Expo has brought opportunities to Jin Jiang Investment Group through which it maintained stable growth of its core businesses and improved its quality of service. The rapid growth of China's economy has created increasing demand for vehicle operating services, logistics related services and automobile sales, repair and maintenance services. In particular, Shanghai is strategically adjusting its industrial structure to prioritize service industries, which provides abundant room for the development of Jin Jiang Investment Group's core business.

In 2010, vehicle operating business has benefited from the Shanghai World Expo as a result of increased visitors to Shanghai. Looking forward, while the operations of Jin Jiang Investment Group will continue to be under pressure as labor costs and wage rates continue to rise and environmental requirements are being tightened, with its market leader position, vehicle operating business will be able to benefit from the strong outlook of Shanghai's economy and the opportunities of expanding its operations to areas outside Shanghai. At the same time, the auto sales and services

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industry in Shanghai is still at a growing stage without any dominant market player, thus providing business growth opportunities for the group's automobile sales, repair and maintenance business. In respect of the refrigerated logistics related business, the management of Jin Jiang Investment Group expects continuous growth in the coming years and the contribution from this segment is expected to become more significant.

xiii. Future Plans for Material Investments or Capital Assets

As of 30 June 2010, Jin Jiang Investment Group had no material capital commitment. Jin Jiang Investment Group's capital expenditures for 2010 will be primarily for purchasing of new operating vehicles to replace disposed operating vehicles. These capital expenditures will be funded primarily by internal resources and bank borrowings.

Shanghai Jin Jiang International Travel Company Limited

Jin Jiang Travel is a joint stock limited company incorporated in the PRC whose B shares are listed on the Shanghai Stock Exchange. It has a registered and paid-in capital of RMB132.6 million. Jin Jiang Travel Group operates in three business segments: tourism and related business, property business and other businesses. The "JJTRAVEL" brand has a long history and is widely recognized in Shanghai, China. Jin Jiang Travel Group is a market leader in China's tourism industry and the largest travel agency operator in Shanghai.

i. Performance Analysis for the six month period ended 30 June 2010

The revenues of Jin Jiang Travel Group primarily consist of service income from the provision of travel agency and related services, which can be categorized into inbound, outbound and domestic tourism. Jin Jiang Travel Group also generates revenue from managing and leasing property holdings in its property business and producing coating materials and providing cargo transportation agency services in its other businesses. The group also earns significant investment income and gains from its investments in available-for-sale financial assets, primarily consisting of equity securities listed in the PRC, as well as unlisted equity securities and trust units.

Revenue for the six months ended 30 June 2010 increased by 18.6% to RMB840.8 million from RMB708.7 million during the same period in 2009, reflecting the strong recovery of China's tourism industry. The Shanghai World Expo has stimulated the group's inbound and domestic tourism volume, both of which increased significantly from the same period in 2009. Outbound tourism continued its steady growth of recent years. Revenue of RMB818.8 million, representing 97.4% of Jin Jiang Travel Group's total revenue for the six months ended 30 June 2010, is attributable to tourism and related services, the group's largest business segment.

Profit attributable to shareholders of Jin Jiang Travel increased by 46.4% to RMB30.8 million for the six months ended 30 June 2010 from RMB21.1 million during the same period in 2009. The profit increase reflected an increase in gross profit of RMB7.7 million and an increase in other income and other gains and losses of RMB8.0

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million, which was primarily attributable to gains on the disposal of available-for-sale financial assets and a RMB2.0 million gain following the liquidation of an associate, Shanghai Tourism Corporation (Hong Kong) Ltd., in the first quarter of 2010. Jin Jiang Travel also received shares of results of RMB4.3 million from its remaining associates, which had generated a collective loss during the same period in 2009, resulting in a share of loss of RMB1.8 million to Jin Jiang Travel Group.

As a result, the net profit margin of Jin Jiang Travel Group increased to 3.7% for the six months ended 30 June 2010 compared to 3.0% for the same period in 2009.

ii. Performance Analysis for the years ended 31 December 2007, 2008 and 2009

Revenue from tourism and related services reached RMB1,553.6 million for the year ended 31 December 2009, accounting for approximately 97.1% of Jin Jiang Travel Group's total revenue for the year. In comparison, its other businesses and property business generated RMB24.9 million and RMB21.4 million, respectively, representing 1.6% and 1.3% of its total revenue for 2009.

Revenue for the years ended 31 December 2007, 2008 and 2009 amounted to RMB1,642.3 million, RMB1,696.6 million and RMB1,599.9 million respectively. The group overcame various challenges in 2008 that caused a significant decrease in inbound tourism, including the then unfolding financial crisis, adverse weather conditions in the beginning of 2008 and the Sichuan earthquake, and increased its total revenue for 2008 by 3.3% compared to the prior year. The overall revenue increase in 2008 was primarily due to China's growing outbound tourism, along with an increase in ticketing, which more than offset the decline in inbound tourism. China's rising levels of disposable income, the appreciation of the RMB and the easing of travel restrictions between mainland China and Taiwan in July 2008 contributed to the growth in outbound tourism. Revenue for the year ended 31 December 2009 decreased by 5.7% over the prior year primarily as a result of a continued decline in inbound tourism due in part to the H1N1 pandemic and the continuing effects of the financial crisis on the willingness of foreign tourists to travel abroad. The decline in inbound tourism in 2009, along with the slight decrease in domestic tourism, was partly offset by the significant increase in outbound tourism.

Profit attributable to shareholders of Jin Jiang Travel decreased by 39.2% from RMB36.2 million in the year ended 31 December 2007 to RMB22.0 million in the year ended 31 December 2008 despite a slight increase in gross profit. The decrease in net profit in 2008 was due to a RMB9.9 million decrease in other income and other gains and losses because Jin Jiang Travel Group did not sell any available-for-sale financial assets in 2008, a RMB8.2 million increase in administrative expenses due to salary increases among employees and a RMB4.7 million decrease in results from associates. The effect of the foregoing factors was partly offset by an increase in investment income, which primarily consisted of dividend income of RMB10.4 million (fiscal 2007: RMB4.9 million). In 2008, the group's effective tax rate increased to 25.4% from 11.9% in the prior year as the preferential tax treatment previously enjoyed by a number of major subsidiaries expired, resulting in a RMB1.8 million increase in

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income tax expenses from the prior year. Profit attributable to shareholders of Jin Jiang Travel increased by 77.0% in the year ended 31 December 2009 to RMB39.0 million due in part to a RMB14.1 million increase in gross profit that resulted from management's earlier efforts to enhance operational efficiency through staff training and to expand its product and service offering, including the launch of its online platform during the 2008 fiscal year. The profit increase in 2009 also reflected other income and gains and losses of RMB22.3 million (fiscal 2008: RMB0.1 million), of which RMB18.1 million represented non-recurrent gains from the disposal of available-for-sale financial assets.

The net profit margin of Jin Jiang Travel Group decreased from 2.2% for the year ended 31 December 2007 to 1.2% for the year ended 31 December 2008 because of an increase in administrative expenses and an absence of gains from investing activities in 2008. Net profit margins for the year ended 31 December 2009 increased to 2.5% due to an increase in gross profit margin to 10.1% (fiscal 2008: 8.7%) and a significant increase in gains from sales of available-for-sale financial assets.

iii. Liquidity and Capital Resources

The financial position of Jin Jiang Travel Group is summarized as follows:

	As of 31 December			As of
	2007	2008	2009	30 June
	<i>(RMB'000)</i>			2010
Current assets	439,810	436,841	446,363	586,232
Total assets	1,927,975	1,148,161	1,649,696	1,584,169
Current liabilities	319,915	315,263	304,933	453,921
Total liabilities	592,239	395,620	506,219	601,411
Current ratio	1.3748	1.3856	1.4638	1.2915
Gearing ratio (total borrowings to total assets)	0	0	0	0

As of 30 June 2010, Jin Jiang Travel Group had net current assets of approximately RMB132.3 million (as of 31 December 2009: RMB141.4 million). On that date, the current assets mainly comprised cash and cash equivalents of RMB375.8 million and trade and other receivables of RMB203.0 million. The current liabilities mainly comprised advances from customers of RMB275.7 million for tour deposits and trade and other payables of RMB172.1 million, consisting of trade payables incurred in the ordinary course of business, dividends payable, payroll and welfare payable and security deposits received from customers for overseas tours. Current ratio improved steadily from 2007 to 2009 in line with Jin Jiang Travel Group's increase in cash and cash equivalents but decreased as of 30 June 2010 due to a substantial increase in customer advances, which are historically higher before China's peak tourist season and particularly high in 2010 because of the ongoing Shanghai World Expo.

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Jin Jiang Travel Group maintained a nil gearing ratio, which is calculated on the basis of total borrowings divided by total assets, throughout the reported periods. Its principal sources of liquidity have historically been its cash and cash equivalents, and available-for-sale financial assets, as well as its cash flow from operations.

Cash and cash equivalents represented a substantial majority of Jin Jiang Travel Group's current assets during the reported periods. As of 31 December 2007, 2008 and 2009 and 30 June 2010, cash and cash equivalents held by the group amounted to RMB312.8 million, RMB338.4 million, RMB344.3 million and RMB375.8 million, respectively. Substantially all of cash and cash equivalents owned by the group was denominated in RMB during the reported periods.

iv. Cash Flows

The cash flow of Jin Jiang Travel Group is summarized as follows:

	Year ended			Six months ended	
	31 December			June 30	
	2007	2008	2009	2009	2010
	<i>(RMB'000)</i>				
Net cash from/(used in)					
operating activities	64,854	41,113	6,181	(6,864)	27,371
Net cash from investing					
activities	17,264	11,580	10,943	13,881	4,747
Net cash used in financing					
activities	(16,357)	(27,080)	(11,210)	(605)	(605)
Net increase in cash and					
cash equivalents	65,761	25,613	5,914	6,412	31,513

Net cash from operating activities

Net cash from operating activities represents cash generated from operations after income taxes. Cash generated from operations consisted of profit before tax adjusted for certain non-cash items, including reclassification adjustments for the cumulative gain upon disposal of available-for-sale financial assets, dividend income from equity investments, share of results of associates, depreciation, the effect of changes in working capital and other activities.

Net cash from operating activities for the years ended 31 December 2007 and 2008 was RMB64.9 million and RMB41.1 million, respectively. Profit before tax in 2008 was RMB26.5 million, representing a decrease of RMB14.9 million from 2007. The reduction in net cash flow also reflected a decrease in trade and other payables of RMB36.9 million, partly offset by an increase of RMB32.0 million in customer advances. Net cash from operating activities decreased 85.0% from RMB41.1 million in the year ended 31 December 2008 to RMB6.2 million in the

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year ended 31 December 2009 mainly due to movements in working capital, particularly in advances from customers and trade and other payables, as well as an increase in income tax paid.

Jin Jiang Travel Group generated net cash of RMB27.4 million from operating activities during the six months ended 30 June 2010, compared with a net cash of RMB6.8 million used in operating activities during the same period in 2009. The difference was primarily the result of an increase in customer advances and trade and other payables, partly offset by an increase in trade and other receivables.

Net cash from investing activities

Net cash from investing activities consist of cash from disposals of available-for-sale financial assets, dividends from associates and equity securities less cash payments to purchase available-for-sale financial assets or to acquire property, plant and equipment.

Jin Jiang Travel Group had net cash from investing activities of RMB10.9 million for the year ended 31 December 2009, which was primarily attributable to RMB32.3 million in dividends from and proceeds on the disposal of available-for-sale financial assets, partly offset by a RMB20.0 million investment in trust units. Net cash from investing activities of RMB11.6 million for the year ended 31 December 2008 primarily reflected dividends from investment securities less purchases of plant, property and equipment. Net cash from investing activities of RMB17.3 million for the year ended 31 December 2007 primarily reflected dividends from and proceeds on the disposal of available-for-sale financial assets totaling RMB20.8 million less purchases of plant, property and equipment of RMB7.7 million.

Jin Jiang Travel Group generated net cash of RMB4.7 million from investing activities during the six months ended 30 June 2010, which primarily reflected dividend from associates and equity securities totaling RMB11.1 million and proceeds on disposal of equity securities of RMB11.7 million, offset by equity security purchases of RMB21.3 million.

Net cash used in financing activities

Jin Jiang Travel Group's financing activities primarily consisted of dividend payments. In the years ended 31 December 2007, 2008 and 2009, net cash used by Jin Jiang Travel Group for dividend payments was RMB16.4 million, RMB27.1 million and RMB11.2 million, respectively. As of the Latest Practical Date, dividends of RMB26.5 million had been declared for the 2009 fiscal year.

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v. Charge on Assets

As of 31 December 2007, 2008 and 2009 and 30 June 2010, Jin Jiang Travel Group had restricted cash of RMB0.6 million, RMB0.8 million, RMB3.0 million and RMB4.6 million, respectively. These restricted cash primarily represented quality assurance deposits made pursuant to regulations of the Shanghai Tourism Bureau for the group's tourism business.

vi. Investments

Jin Jiang Travel Group maintains a significant portfolio of available-for-sale financial assets that mainly comprise the equity securities of companies listed in the PRC and, to a lesser extent, unlisted equity securities and trust units.

As the securities portfolio of Jin Jiang Travel Group consists exclusively of the equity and debt securities of PRC companies and is heavily concentrated in the PRC banking sector, the fair value of its portfolio will continue to reflect the overall performance of the PRC economy, especially that of the banking sector. Based on their respective public disclosures, the group's two most significant portfolio companies have recorded relatively significant growth in revenue and net profit year on year in the first half of 2010 and believed that China's banking industry would continue to benefit from the growth of China's economy and improvement of economic fundamentals in 2010. Listed available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in the group's equity until the financial asset is disposed, at which time, the cumulative gain or loss is reclassified to profit or loss. The table below summarizes the group's portfolio of available-for-sale financial assets as of the indicated dates.

	As of 31 December			As of
	2007	2008	2009	30 June
	<i>(RMB'000)</i>			2010
Listed investments				
Equity securities listed				
in the PRC	1,144,542	376,673	859,554	665,389
Unlisted securities				
Equity securities	2,057	2,057	2,057	2,057
Trust units	—	—	20,000	20,000
Others	857	857	857	857
Total	<u>1,147,456</u>	<u>379,587</u>	<u>882,468</u>	<u>688,303</u>

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The group's equity securities were acquired many years ago at costs significantly lower than their current carrying value. Over the years, these investments have increased in fair value many times their original acquisition cost in line with the rapid growth of China's stock market. The table below summarizes the dividends and gains that Jin Jiang Travel Group derived from its available-for-sale financial assets.

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	<i>(RMB'000)</i>			
Dividends from listed equity securities classified as available-for-sale financial assets	4,873	10,376	9,621	5,014
Cumulative gain reclassified from equity on disposal of available-for-sale financial assets	9,222	—	18,052	11,411

Other than the above available-for-sale financial assets, Jin Jiang Travel Group had no significant investments during the three years ended 31 December 2009 and the six months ended 30 June 2010. Jin Jiang Travel Group's capital expenditures for 2010, will be funded exclusively with internal resources, will be primarily for purchasing property, developing its online service system and the renovation of property holdings.

vii. Acquisitions and Disposals

An associated travel agency company in which Jin Jiang Travel Group had a 24.5% equity interest began liquidation in April 2009. Upon the completion of the liquidation in 2010, the group recovered its initial investment of RMB6.6 million and recorded an investment gain of RMB2.0 million in 2010. Other than the above, Jin Jiang Travel Group had no other significant acquisition or disposal activities during the three years ended 31 December 2009 and the six months ended 30 June 2010.

viii. Market Risks

Currency Risk

Currency risk is the risk that the holding of foreign currency assets and liabilities will affect Jin Jiang Travel Group's position as a result of a change in foreign currency exchange rates. Certain of Jin Jiang Travel Group's trade and other receivables, cash and cash equivalents and trade and other payables that are denominated in foreign currencies expose it to currency risk. For details on Jin Jiang Travel's currency exposure, including a sensitivity analysis, see Note 6(c)(ii) to "Appendix IIB — Accountants' Report of the Jin Jiang Travel Group." Jin Jiang Travel's exposure to currency risk is primarily associated with movements in

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the U.S. dollar, as well as a number other currencies including the Euro, Japanese Yen, Australian dollar and Hong Kong dollar. As of 30 June 2010, the balance of Jin Jiang Travel's assets and liabilities denominated in foreign currency amounted to the equivalent of RMB36.0 million and RMB20.9 million, respectively.

Jin Jiang Travel Group currently does not use any derivative contracts to hedge against its exposure to currency risk.

Equity Price Risk

Jin Jiang Travel Group is exposed to equity price risk through its equity securities of listed companies, which are measured at fair value at the end of each reporting period. If the prices of Jin Jiang Travel Group's listed equity securities had been 10% higher or lower as of 30 June 2010 and all other variables were held constant, the potential effect on Jin Jiang Travel Group's investment revaluation reserve as a result of the changes in fair value of available-for-sale financial assets would be RMB49.9 million. Global capital markets, particularly those in China, have experienced extreme volatility in recent years, and is expected to continue experiencing moderate volatility. As a result, Jin Jiang Travel Group's financial condition under mark-to-market accounting practices will continue to be affected substantially by movements in the value of its available-for-sale financial assets. However, fair value adjustments for the group's available-for-sale financial assets will not be realized as income nor have any effect the group's results of operations or cash flow until the group disposes of such investment.

ix. Employees and Remuneration Policies

The total number of employees of Jin Jiang Travel Group as of 31 December 2007, 2008 and 2009 and 30 June 2010 was 1,006, 1,031, 1,052 and 1,063, respectively. Total expenditures for salaries, allowances and retirement benefits for the employees of Jin Jiang Travel Group during the respective periods was RMB90.3 million, RMB107.5 million, RMB119.6 million and RMB58.7 million.

x. Contingent Liabilities

As of 31 December 2007, 2008 and 2009 and 30 June 2010, Jin Jiang Travel Group had no material contingent liabilities.

xi. Prospects for New Products and Services

Jin Jiang Travel Group continues to invest in the development of its online service system, specifically the development of its business-to-business and business-to-consumer e-commerce websites. These websites are being increasingly integrated with the group's various internal operating systems including its tour booking, online payment, hotel reservation and ticketing systems. The development of the group's e-commerce sales channel is expected to significantly improve its operational efficiency, expand its tourism business and increase the profitability of its tourism business.

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With a view towards strengthening its brand name in China's tourism industry, Jin Jiang Travel Group continually introduces value-added tourism products, provide one-stop-shop service and enhance the quality of its services. These products and services are catered towards the group's mid to high-end target segment and will diversify and deepen the group's product and service offerings.

xii. Industry Developments

Underpinned by strong support from the central government as well as the government of various provinces, China's tourism industry is projected to experience strong growth in the near to medium term. Rapid urbanization and increasing disposable income in China have also contributed to increased tourism spending. In 2009, China ranked fourth in terms of international tourist arrivals and the fifth in terms of international tourist receipts according to the World Tourism Organization. China also ranked fourth in terms of international tourism spending in 2009. Statistics compiled by the National Bureau Statistics of China show that from 2000 to 2009, China's tourism industry experienced double digit growth in revenue as well as domestic and outbound tourist volume.

	2000 (approximately)	2009 (approximately)	2000–2009 growth (approximately %)
Revenue (<i>RMB in million</i>)			
International	16,200	39,700	10.5
Domestic	317,500	1,018,400	13.8
Volume (<i>tourists in thousands</i>)			
Outbound	10,470	47,660	18.3
Inbound	83,440	126,480	4.7
Domestic	744,000	1,900,000	11.0

The ongoing Shanghai World Expo has significantly stimulated inbound tourism in China. According to the official Shanghai World Expo website, the expo is expected to attract 70 million tourists.

The State Council of the PRC approved an opinion to accelerate the development of the PRC tourism industry in November 2009 which, among others, designates the tourism industry as a strategic industry and encourages the development of inbound, outbound and domestic tourism. The State Council set targets for the PRC tourism industry to serve 3.3 billion domestic tourists, 90 million foreign overnight tourists (excluding tourists from Hong Kong, Macau and Taiwan) and 83 million outbound tourists by 2015, representing a compound annual growth rate of 10%, 8% and 9% respectively from 2010 to 2015.

Given the above, management believes that Jin Jiang Travel Group is well-positioned as one of the leading travel agencies in China to seize the promising opportunities in the growing PRC tourism industry.

LETTER FROM THE BOARD

III. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the Company's announcement dated 13 August 2010.

On 13 August 2010, a resolution was passed by the Board, proposing to amend the Articles of Association consequential to the Acquisitions. The proposed amendments to the Articles of Association are conditional upon the Acquisitions being approved by the Independent Shareholders. Details of the proposed amendments are as follows:

1. Article 3.5 shall be amended as "As approved by the corporate approval department authorised by the State Council, the total number of ordinary shares issued by the Company shall be 5,566,000,000 shares. Upon incorporation, 3,300,000,000 shares were issued to the promoters, representing approximately 59.29% of the total number of ordinary shares issued by the Company. 1,265,000,000 overseas-listed foreign shares (H Shares) (including the shares issued under the 15% over-allotment option) were issued by the Company after incorporation of the Company, representing approximately 22.73% of the total number of ordinary shares issued by the Company. 1,001,000,000 new domestic shares were issued by the Company following the issue of overseas-listed foreign shares (H Shares), representing approximately 17.98% of the total number of ordinary shares issued by the Company."
2. Article 3.6 shall be amended as "The Company was, by way of promotion method, converted from the original Shanghai Jin Jiang International Hotels (Group) Company Limited into a joint stock limited company by Jin Jiang International Holdings Company Limited and Shanghai Jin Jiang International Investment and Management Company Limited (as joint promoters) with the approval of the People's Government of Shanghai Municipality.

Upon incorporation, the share capital structure of the Company comprised a total of 3,300,000,000 ordinary shares, of which 3,135,000,000 shares were held by the promoter, Jin Jiang International Holdings Company Limited, representing 95% of the total shares of the Company, and 165,000,000 shares were held by Shanghai Jin Jiang International Investment and Management Company Limited, representing 5% of the total shares of the Company. According to the capital verification issued by a capital verification institution duly established under law, as at 22 December 2005, the promoters of the Company had fully paid up all their respective capital contribution.

The Company issued 1,265,000,000 new shares (including 165,000,000 shares issued under the over-allotment option) under its initial public offering. Jin Jiang International Holdings Company Limited and Shanghai Jin Jiang International Investment and Management Company Limited, the holders of State-owned shares of the Company, had allocated to the National Council for Social Security Fund 126,500,000 State-owned shares, representing 10% of the actual number of new shares issued and such shares had converted into overseas-listed foreign shares.

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Following the exercise of the over-allotment option in full, the issue of overseas-listed foreign shares under the Company's initial public offering, the reduction of State-owned shares and the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the share capital structure of the Company was 4,565,000,000 ordinary shares, comprising 3,173,500,000 domestic shares which are promoters' shares and 1,391,500,000 overseas-listed foreign shares (including 126,500,000 shares held by the National Council for Social Security Fund).

Following the Company's initial public offering of new shares, the Company issued 1,001,000,000 new domestic shares to Jin Jiang International Holdings Company Limited.

In respect of each of the aforesaid changes in the registered capital of the Company, the Company shall determine the actual amount of the registered capital of the Company according to the capital verification report issued by registered accountants, process corresponding registration of changes in the registered capital with the Shanghai Municipal Administration of Industry and Commerce, and file with the corporate approval department authorised by the State Council and the securities regulatory authorities of the State Council for record at the same time."

3. Article 3.9 shall be amended as "Following the completion of the issue of new domestic shares as described in the foregoing Article 3.6, the registered capital of the Company was increased to RMB5,566,000,000."

The Articles of Association are written in Chinese and there is no official English translation in respect thereof. Accordingly, the English translation above is for reference only. In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

The proposed amendments are subject to the consideration and approval by way of special resolution of the Shareholders at the EGM, and the completion of relevant approval, registration or filing procedures in the PRC.

IV. EGM AND H SHAREHOLDERS' CLASS MEETING

Two notices convening each of the EGM and the H Shareholders' Class Meeting to be held on 15 November 2010 at Tomson Hall, InterContinental Pudong Shanghai, No. 777 Zhang Yang Road, Shanghai, the PRC are set out on pages 336 to 343 of this circular.

The proxy form for use at each of the EGM and the H Shareholders' Class Meeting is also being dispatched to the Shareholders together with this circular. Whether or not you are able to attend the EGM and the H Shareholders' Class Meeting, you are requested to complete, sign and return the appropriate proxy form in accordance with the instructions printed thereon.

LETTER FROM THE BOARD

To be valid, for holders of the H Shares of the Company, the form of proxy together with the power of attorney (if any) or other authorisation documents under which it is signed (if any) or a notarially certified copy thereof, must be delivered to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the EGM and the H Shareholders' Class Meeting in order for such documents to be valid. For holders of the Domestic Shares of the Company, the form of proxy together with the power of attorney (if any) or other authorisation documents under which it is signed (if any) or a notarially certified copy thereof, must be delivered to the Joint Company Secretarial Office of the Company in the PRC at 26th Floor, Union Building, No. 100 Yan'an East Road, Shanghai, not less than 24 hours before the time for holding the EGM in order for such documents to be valid.

Holders of the H Shares of the Company and Domestic Shares, who intend to attend each of the EGM and the H Shareholders' Class Meeting, must complete the reply slip and return them to the Joint Company Secretarial Office of the Company not later than 20 days before the date of the EGM, and the H Shareholders' Class Meeting, i.e. no later than 26 October 2010.

Pursuant to Rule 13.39 of the Listing Rules, all votes of Shareholders at general meetings must be taken by poll. The Chairman of the meeting will therefore demand a poll for every resolution to be passed at the EGM and the H Shareholders' Class Meeting pursuant to the Articles of Association.

The demand for a poll may be withdrawn by the person who makes such demand. A poll demanded on the election of the chairman of the meeting, or on a question of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded. On a poll taken at the meeting, a Shareholder (including proxy) entitled to two or more votes need not cast all his or her votes in the same way.

Pursuant to the Articles of Association, for the purpose of holding each of the EGM and the H Shareholders' Class Meeting, the Register of Members of the Company will be closed from 16 October 2010 to 14 November 2010 (both days inclusive), during which period no transfer of shares of the Company will be registered. Shareholders whose names appear on the Register of Members for holders of the H Shares of the Company at the close of business on 14 November 2010 are entitled to attend and vote at each of the EGM and the H Shareholders' Class Meeting. Shareholders whose names appear on the Register of Members for holders of the Domestic Shares at the close of business on 14 November 2010 are entitled to attend and vote at the EGM.

LETTER FROM THE BOARD

In order to attend the EGM and the H Shareholders' Class Meeting, holders of the Company's H shares shall lodge all transfers together with the relevant share certificates to Computershare Hong Kong Investor Services Limited, the Company's H Shares registrar, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 15 October 2010.

V. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee which is set out on pages 40 to 41 of this circular, and the letter from the Independent Financial Adviser which is set out on pages 42 to 78 of this circular.

Having taken into account the advice of the Independent Financial Adviser, the Independent Board Committee considers that the terms of the Share Transfer Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM and the H Shareholders' Class Meeting in respect of the Acquisitions and the special resolutions to be proposed at the EGM and the H Shareholders' Class Meeting in respect of the issue of the Consideration Shares.

The Directors consider that the proposed amendments to the Articles of Association are in the interests of the Company and the Shareholders as a whole, and accordingly, recommend the Shareholders to vote in favour of the relevant resolutions at the forthcoming EGM.

By Order of the Board of
Shanghai Jin Jiang International Hotels (Group) Company Limited
Yu Minliang
Chairman



Shanghai Jin Jiang International Hotels (Group) Company Limited*

上海錦江國際酒店(集團)股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02006)

30 September 2010

To the Independent Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
ACQUISITIONS OF SHARES IN JIN JIANG INVESTMENT AND
JIN JIANG TRAVEL INVOLVING ISSUE OF NEW DOMESTIC SHARES
AND
ISSUE OF THE CONSIDERATION SHARES**

We refer to the circular dated 30 September 2010 (the “**Circular**”) to the shareholders of Shanghai Jin Jiang International Hotels (Group) Company Limited (the “**Company**”) of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee, which has been established to advise the Independent Shareholders in respect of the terms of the Share Transfer Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares), details of which are set out in the letter from the Board contained in the Circular. None of us has a material interest in the Acquisitions and the issue of the Consideration Shares.

As the relevant applicable percentage ratios set out in the Listing Rules for the Acquisitions (after aggregation) exceed 100%, the Acquisitions constitute a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules. In addition, as Jin Jiang International is the Controlling Shareholder of the Company, it is a connected person of the Company. Accordingly, the Acquisitions constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the Independent Shareholders’ approval requirement as required under Rule 14A.48 of the Listing Rules.

* *The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name and the English name “Shanghai Jin Jiang International Hotels (Group) Company Limited”.*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

CIMB has been appointed as the independent financial adviser to advise us in respect of the terms of the Share Transfer Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares). We wish to draw your attention to the opinion letter from CIMB as set out on pages 42 to 78 of the Circular.

As members of the Independent Board Committee, we have discussed with the management of the Company in relation to the terms of the Share Transfer Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares), and the basis upon which the terms of the Acquisitions and the issue of the Consideration Shares have been determined. We have also taken into account the principal factors and reasons considered by CIMB in forming its opinion in relation to the terms of the Share Transfer Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares).

Having taken into account the advice of CIMB, we consider that the terms of the Share Transfer Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares) are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM and the H Shareholders' Class Meeting in respect of the Acquisitions and the special resolutions to be proposed at the EGM and the H Shareholders' Class Meeting in respect of the issue of the Consideration Shares.

Yours faithfully,
Mr. Ji Gang
Mr. Xia Dawei
Mr. Sun Dajian
Dr. Rui Mingjie
Mr. Yang Menghua
Dr. Tu Qiyu
Mr. Shen Chengxiang and
Mr. Lee Chung Bo
Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice dated 30 September 2010 from CIMB Securities (HK) Limited to the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares) prepared for incorporation into this Circular:



CIMB

CIMB Securities (HK) Limited

25/F Central Tower
28 Queen's Road Central
Hong Kong

30 September 2010

*To the Independent Board Committee and the Independent Shareholders of
Shanghai Jin Jiang International Hotels (Group) Company Limited*

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION ACQUISITIONS OF SHARES IN JIN JIANG INVESTMENT AND JIN JIANG TRAVEL INVOLVING ISSUE OF NEW DOMESTIC SHARES

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Transfer Agreement and the transactions contemplated thereunder, details of which are contained in a circular of the Company (the "Circular") to the Shareholders dated 30 September 2010, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 13 August 2010, the Company entered into the Share Transfer Agreement with Jin Jiang International to (i) acquire 212,586,460 shares in Jin Jiang Investment (representing approximately 38.54% of the total registered share capital of Jin Jiang Investment) (the "JJ Investment Acquisition") at the consideration of RMB2,081,221,443 (the "JJ Investment Consideration"); and (ii) acquire 66,556,270 shares in Jin Jiang Travel (representing approximately 50.21% of the total registered share capital of Jin Jiang Travel) (the "JJ Travel Acquisition") at the consideration of RMB612,798,553 (the "JJ Travel Consideration"). The aggregate consideration (the "Aggregate Consideration") for the Acquisitions in the amount of RMB2,694,019,996 will be satisfied by way of cash in the amount of RMB772,908,804 and the allotment and issuance of the Consideration Shares. The JJ Investment Acquisition and the JJ Travel Acquisition are inter-conditional.

Details of the Share Transfer Agreement are set out in the letter from the Board (the "Letter from the Board") of the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the Acquisitions (after aggregation) exceed 100%, the Acquisitions constitute a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules. In addition, as Jin Jiang International is the Controlling Shareholder of the Company, it is a connected person of the Company. Accordingly, the Acquisitions constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the Independent Shareholders' approval requirements under the Listing Rules. Jin Jiang International and its associate(s) shall abstain from voting at the EGM in respect of the relevant ordinary resolution to approve the Share Transfer Agreement and the transactions contemplated thereunder, and the special resolution to approve the issue of the Consideration Shares.

An independent board committee comprising Mr. Ji Gang, Mr. Xia Dawei, Mr. Sun Dajian, Dr. Rui Mingjie, Mr. Yang Menghua, Dr. Tu Qiyu, Mr. Shen Chengxiang and Mr. Lee Chung Bo, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Share Transfer Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares).

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. The Directors have declared in a responsibility statement set out in Appendix IV to the Circular that they collectively and individually accept full responsibility for the accuracy and completeness in all material respects of the information contained and representations made in the Circular. We have relied on the information and facts contained or referred to in the Circular, the information provided by the Company and our review of the relevant public information. We have also assumed that the information, facts and representations contained or referred to in the Circular were true and accurate at the time they were made and up to the date of the EGM. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, Jin Jiang International, Jin Jiang Investment, Jin Jiang Travel, or any of their respective subsidiaries or associates. We have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided and represented to us by the Company. We have also been advised by the Company and believe that no material facts have been omitted from the Circular.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion, we have considered the following principal factors and reasons:

(I) Information relating to the Group

(i) Principal business

The Group is principally engaged in star-rated hotel operation and management, budget hotel operation and franchising, food and restaurant and other businesses. As at 30 June 2010, the Group held or managed 614 hotels with approximately 97,000 rooms either in operation or under development, spreading across 148 cities in 31 provinces, autonomous regions and municipalities in China. The Group's brand is widely recognized in China. In terms of number of rooms, the Group remains the leading hotel group in the PRC.

In order to capture opportunities in international acquisitions and realise breakthroughs in overseas business networks and multinational operations in line with its development strategy, the Group established Hotel Acquisition Company, LLC ("HAC") on a 50:50 basis jointly with Thayer Lodging Group, Inc., a company with proven experience in investments. On 18 March 2010, HAC completed the acquisition of a 100% equity interest in IHR, an international independent hotel management company based in the United States managing approximately 232 hotel properties located in 36 states and the District of Columbia of the United States, Canada, Russia, India, Mexico, Ireland, England and Belgium, supplying over 46,000 guest rooms in aggregate.

Apart from the hotel business, the Group is also engaged in food and restaurant business although its contribution to the Group's total revenue remained insignificant throughout the three years ended 31 December 2009 and the six months period ended 30 June 2010 (the "Relevant Period").

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(ii) Historic financial performance

The audited consolidated income statements of the Group for the three years ended 31 December 2009 and the unaudited consolidated income statement of the Group for the six months ended 30 June 2010, as extracted from the relevant annual reports and the relevant interim report of the Group, are set out below.

	Year ended 31 December			Six months ended
	2007	2008	2009	30 June 2010
	(Audited)	(Audited)	(Audited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3,197,065	3,402,808	3,320,723	2,762,358
Cost of sales	<u>(2,125,081)</u>	<u>(2,353,925)</u>	<u>(2,518,113)</u>	<u>(2,108,370)</u>
Gross profit	1,071,984	1,048,883	802,610	653,988
Gross profit margin	33.5%	30.8%	24.2%	23.7%
Other income	381,413	241,635	344,359	121,658
Selling and marketing expenses	(159,954)	(159,685)	(140,920)	(103,766)
Administrative expenses	(605,638)	(602,207)	(640,080)	(382,098)
Other expenses	<u>(46,014)</u>	<u>(28,396)</u>	<u>(24,952)</u>	<u>(16,585)</u>
Operating profit	641,791	500,230	341,017	273,197
Finance costs	(92,716)	(44,308)	(35,074)	(39,415)
Share of results of associates	<u>98,099</u>	<u>72,760</u>	<u>65,376</u>	<u>40,085</u>
Profit before income tax	647,174	528,682	371,319	273,867
Income tax expense	<u>(111,491)</u>	<u>(95,899)</u>	<u>(86,618)</u>	<u>(49,804)</u>
Profit for the year/period	<u><u>535,683</u></u>	<u><u>432,783</u></u>	<u><u>284,701</u></u>	<u><u>224,063</u></u>
Profit attributable to the Shareholders	<u><u>383,417</u></u>	<u><u>270,255</u></u>	<u><u>118,869</u></u>	<u><u>118,129</u></u>

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(a) *Revenue*

The breakdown of the Group's revenue for the Relevant Period is set out below.

	Year ended 31 December			Six months
	2007	2008	2009	ended
	(Audited)	(Audited)	(Audited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Star-rated hotels	2,442,504	2,345,464	1,929,852	1,213,267
Budget hotels	673,590	983,180	1,177,257	737,810
Overseas hotels	<u>—</u>	<u>—</u>	<u>—</u>	<u>699,788</u>
	3,116,094	3,328,644	3,107,109	2,650,865
Food and restaurants	45,913	44,670	186,463	95,288
Others	<u>35,058</u>	<u>29,494</u>	<u>27,151</u>	<u>16,205</u>
	<u><u>3,197,065</u></u>	<u><u>3,402,808</u></u>	<u><u>3,320,723</u></u>	<u><u>2,762,358</u></u>

Throughout the Relevant Period, hotel operation and hotel management, including star-rated hotels, budget hotels and overseas hotels (collectively the "Hotel Business"), remained the major revenue contributor to the Group, accounting for over 90% of its total revenue.

Revenue from the Hotel Business increased by approximately 6.8% from approximately RMB3,116.1 million for the year ended 31 December 2007 ("FY2007") to approximately RMB3,328.6 million for the year ended 31 December 2008 ("FY2008").

During FY2008, the business of the star-rated hotels was hit by the slowdown of the global economy triggered by the United States sub-prime crisis and the Sichuan earthquake which occurred on 12 May 2008, and the setback of the average occupancy rate and/or the average daily rate of the star-rated hotels of the Group arising from the drop of inbound visitors to Shanghai and the increasing market competition. Beijing's hosting of the Olympic Games in 2008 did bring about some benefits to certain of the Group's hotels in Beijing but the effect was not as strong as expected. To diversify the revenue base and believing in the growth prospect of the Jin Jiang Inn budget hotels (the "Budget Hotels"), the Group launched more Budget Hotels in FY2008, increasing the network from 280 hotels comprising 38,355 rooms as at 31 December 2007 to 360 hotels comprising 47,918 rooms as at 31 December 2008. As a result of the network expansion, the revenue from the Budget Hotels reported an increase of approximately 46.0% in FY2008 as compared to that for FY2007, which increase more than offset the drop in revenue for the business of the star-rated hotels, thus leading to an overall increase in total revenue for FY2008.

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The general operating environment remained difficult in the year ended 31 December 2009 (“FY2009”). The global economic weakness amid uncertainties in the aftermath of the global financial crisis coupled with the outbreak of the Influenza A (H1N1) pandemic continued to affect the PRC tourism sector with reduced inbound foreign visitors to Shanghai in 2009. Against such challenges, the revenue from the business of the star-rated hotels suffered a decline of approximately 17.7% in FY2009 despite a slight increase in star-rated hotel rooms from 32,246 as at 31 December 2008 to 32,727 as at 31 December 2009. For the Budget Hotels, the management continued its effort in expanding the geographical coverage with total number of hotel rooms increasing from 47,918 as at 31 December 2008 to 56,524 as at 31 December 2009. With the increase in hotel rooms, the Budget Hotels reported an increase in revenue of approximately 19.7% to approximately RMB1,177.3 million for FY2009.

With the hosting of the World Expo by Shanghai which opened in May 2010, the gradual recovery of the PRC economy since the beginning of 2010 and the completion of the acquisition of 50% equity interest in IHR in March 2010, the Group recorded a revenue of approximately RMB2,762.4 million for the first half of 2010, representing an increase of over 80% as compared to that of the corresponding period of 2009.

Apart from the hotel business, the Group is also engaged in food and restaurant business although the contribution from such segment was relatively insignificant throughout the Relevant Period.

(b) Gross profit margin

Gross profit margin dropped from approximately 33.5% in FY2007 to approximately 30.8% in FY2008. The decline was mainly due to the drop in occupancy rate of the Group’s star-rated hotels caused by the adverse market conditions and the increased competition from new supply of hotel rooms.

Gross profit margin continued to decline in FY2009, dropping to approximately 24.2%. Apart from the drop in occupancy rate of the Group’s star-rated hotels, the Group also experienced a decline in the average room rate for its star-rated hotels, causing a decrease in the gross profit margin.

Gross profit margin for the first half of 2010 of approximately 23.7% was comparable to that for FY2009. However, after excluding the reimbursable expenses of approximately RMB569.03 million incurred in managing the hotel properties for which IHR is contractually reimbursed by the property owner, which were recognized by the Group as its revenue and cost of sales, gross profit margin would increase to approximately 29.8%, which was mainly attributable to the hosting of the World Expo by Shanghai.

(c) Other income

Other income for FY2008 was approximately RMB241.6 million, mainly comprising dividend income received from unlisted and listed equity investment of approximately RMB95.5 million and a gain of approximately RMB46.4 million from disposal of shares in Shanghai Pudong Development Bank (“SPD Bank”), a gain of approximately RMB22.4 million from the disposal of a 9.45% interest in Shanghai Jiu Long Hotel Co., Ltd. (“Jiu Long Hotel”), and a gain on disposal of other available-for-sale financial assets of approximately RMB16.7 million. Other income for FY2008 decreased by approximately RMB139.8 million compared to that for FY2007, which decrease was mainly attributable to drop in the gain from the disposal of shares in SPD Bank and the gain from the disposal of interest in Jiu Long Hotel.

Other income for FY2009 was approximately RMB344.4 million, mainly comprising dividend income received from unlisted and listed equity investment of approximately RMB55.5 million, a gain of approximately RMB75.6 million from disposal of shares in SPD Bank, a gain of approximately RMB100.8 million from the disposal of a 45% interest in Shanghai Zhongya Hotel and a gain of approximately RMB62.9 million from the disposal of a 7% equity interest in Shanghai Kentucky Fried Chicken Company Limited (“Shanghai KFC”). Other income for FY2009 increased by approximately RMB102.7 million compared to that for FY2008, which increase was mainly attributable to increase in the gain from the disposal of shares in SPD Bank and the gain from the disposal of interest in Shanghai Zhongya Hotel and Shanghai KFC.

Other income for the first half of 2010 was approximately RMB121.7 million, mainly comprising dividend income received from unlisted and listed equity investment. Other income for the first half of 2009 was higher than that for the first half of 2010 mainly because of the gains from the disposal of the respective interest in SPD Bank, Shanghai KFC and Shanghai Zhongya Hotel in the first half of 2009.

(d) Selling and marketing expenses and administrative expenses

Selling and marketing expenses, which mainly comprised labour costs, travel agents commission and advertising expenses, remained relatively stable throughout the Relevant Period. The decrease in selling and marketing expenses of approximately RMB18.8 million in FY2009, representing a decrease of approximately 11.8% compared to FY2008, was mainly due to the decrease in advertising expenses given the then business environment.

Administrative expenses for FY2008 were comparable to that for FY2007. The increase in administrative expenses of approximately RMB37.9 million in FY2009, representing an increase of approximately 6.3% compared to FY2008, was mostly due to increased expenses for the new outlets for the Budget Hotels which were launched during the second half of FY2009.

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For the first half of 2010, selling and marketing expenses increased by approximately RMB29.1 million as compared to that of the first half of 2009, representing an increase of approximately 38.9%, which was mainly due to the proportionate consolidation of the 50% results of IHR into the Group's results since 18 March 2010 and the increase in travel agents commission and labour costs during the period. Administrative expenses also increased by approximately RMB101.8 million as compared to that of the first half of 2009, representing an increase of approximately 36.3%. The increase was mainly due to the proportionate consolidation of the 50% results of IHR into the Group's results since 18 March 2010, the consolidation of West Capital International Hotel Company Limited ("WCIH"), the acquisition of which completed on 31 October 2009, the re-opening of Y.M.C.A Hotel as a Commercial Hotel, the pre-operating expenses of Peace Hotel, and the business expansion and increase in chain outlets of Budget Hotels.

(e) Finance costs

Finance costs for FY2007 and FY2008 represented interest expenses on the Group's bank borrowings and net foreign exchange losses. The significant decrease in finance costs for FY2008 was mainly attributable to (i) the decrease in interest expense due to the repayment of bank borrowings using the listing proceeds raised in 2007; and (ii) the one-off net foreign exchange losses of approximately RMB38.5 million incurred in FY2007 in respect of the proceeds from the initial public offering of the Company.

Total interest bearing debts increased substantially from approximately RMB538.4 million as at 31 December 2008 to approximately RMB1,077.0 million as at 31 December 2009. The increase was mainly attributable to the borrowings for acquisition of IHR in late 2009 and the consolidation of borrowings of WCIH into the Group's accounts. We note that the Company had borrowings from Jin Jiang International of approximately RMB601.6 million as at 31 December 2009, which, as advised by the Company, was mainly used for repayment of bank borrowings during FY2009. Despite the increase in total borrowings, there was a decrease in interest expenses for FY2009 because the effective interest rates decreased and the new interest bearing debts were mostly incurred in late 2009.

For the first half of 2010, finance costs increased to approximately RMB39.4 million which doubled the corresponding amount for the same period of 2009. The increase was mainly due to the proportionate consolidation of the 50% results of IHR since 18 March 2010 and the increase in the interest expenses incurred by the new interest bearing debts incurred since late 2009.

(f) Share of results of associates

The Group's major investment in associates comprised of investment in Shanghai KFC and Shanghai Yangtze Hotel Company Limited ("Shanghai Yangtze"). Share of results of Shanghai KFC and Shanghai Yangtze continued to decline in FY2008 and FY2009. The management was advised that the results of

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these two associates were affected by the unfavourable market conditions following the outbreak of the global financial crisis in 2008. In addition, the Group completed the transfer of a 7% equity interest in Shanghai KFC in April 2009 and upon the completion of the transfer, the Group's interest in Shanghai KFC decreased from 49% to 42%. There was an improvement in the share of results of associates in the first half of 2010.

(g) Profit attributable to the Shareholders

Profit attributable to the Shareholders for FY2008 was approximately RMB270.3 million, representing a decrease of approximately 29.5% compared to that of FY2007. The decrease was mainly due to drop in the gross profit margin as explained above and the drop in other income from the disposal of the respective interest in SPD Bank and Jiu Long Hotel.

Profit attributable to the Shareholders for FY2009 continued to decline and was approximately RMB118.9 million, representing a decrease of approximately 56.0% compared to that of FY2008. The decrease was mainly due to the continued drop in the gross profit margin as explained above, which drop was partly offset by an increase in other income from disposal of the respective interest in Shanghai KFC, SPD Bank and Shanghai Zhongya Hotel.

Despite the increase in revenue and gross profit in the first half of 2010, profit attributable to the Shareholders for the period of approximately RMB118.1 million was comparable to that for the corresponding period in 2009. This was mainly because of the fact that the profit for the same period of 2009 included the other income from the disposal of the respective interest in Shanghai KFC, SPD Bank and Shanghai Zhongya Hotel.

(iii) Future prospects

The past two years were challenging for the hotel industry in China. The global economy suffered a major set back since the outbreak of the financial crisis which started in 2008. There were signs that the global economy began to stabilize in 2009 but uncertainty about the market outlook remains high. The hosting of the World Expo by Shanghai will probably have a positive impact on the Group's hotel operations in 2010. In the longer term, competition among the star-rated hotel operators will intensify given the increasing supply of hotel rooms in Shanghai and there will also be pressure on the operating costs arising from the increase in wage rate and labour costs. On the other hand, the growing interest of overseas tourists visiting China, the increasing demand for domestic tourism and the opportunities arising from the opening of direct travelling between the Taiwan Straits will provide strong support to the tourism industry in China. To better prepare for the challenging market conditions and to capture the growth opportunities, the Group will continue to reinforce its market leadership by cooperating with international operators to enhance its brand awareness and core competitiveness as well as continual expansion of the network of the Budget

Hotels, which the management believes to present more growth opportunities. The completion of the acquisition of 50% equity interest in IHR in March 2010 will also provide the opportunity for the Group to enhance its core competitiveness.

(II) Information relating to Jin Jiang Investment

(i) Principal business

Jin Jiang Investment together with its subsidiaries, jointly controlled entities and associated companies (the “JJ Investment Group”) are principally engaged in provision of vehicle operating and relevant services (the “Vehicle Operating Services Business”), and trading of vehicles, spare parts and related products (the “Trading of Automobile Business”).

The JJ Investment Group is also engaged in provision of refrigerated warehousing, distributing and management services (the “Refrigerated Logistics Management Business”) including low-temperature storage, logistics and management services, and owns a jointly controlled joint venture which is principally engaged in provision of freight forwarding services (the “Freight Forwarding Business”), which results are proportionately consolidated into that of the JJ Investment Group.

The Vehicle Operating Services Business of the JJ Investment Group has a history of over 50 years and is one of the leading passenger transportation service providers in Shanghai. As at the end of 2009, the JJ Investment Group has a fleet of over 9,000 vehicles comprising taxis and chartered commercial vehicles and buses for commercial and tourism services and is the market leader in terms of passenger handling capacity. The JJ Investment Group is also a repair and maintenance service provider for Buick.

For the Trading of Automobile Business, the JJ Investment Group is the authorised agent for brands including, among others, Toyota, Nissan and Mazda through its subsidiaries and Volkswagen through an associated company. As at the end of 2009, the JJ Investment Group operates five car sales centres, four of which are 4S stations, all located in Shanghai, providing comprehensive vehicles services including distribution, repair and maintenance, and after-sales service.

The JJ Investment Group is also engaged in the Refrigerated Logistics Management Business. As advised by the management, the JJ Investment Group operates low-temperature and ultra-low temperature warehouses, including, among others, Wujing, Wusong and Shanghai warehouses, with a combined capacity of approximately 510,000 cubic meters, ranking the fourth in China. Among them, a new Wusong ultra-low temperature warehouse with a capacity of approximately 11,000 tons is included, the construction of which was completed recently and is the first of its kind in Shanghai. The ultra-low temperature warehouse would enable the JJ Investment Group to capture business opportunities in the high-end cold storage sector.

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The Freight Forwarding Business, which is carried out through a jointly controlled entity, principally provides freight forwarding services in the PRC. To combat difficulties faced by the freight forwarding industry in general, the management has continued to focus on transforming the business from a traditional freight forwarding service provider to a comprehensive logistics service provider. All regional branches strive to maximize the advantages of rail-sea intramodal transport business, further develop business along the Longhai Railway, develop container service for domestic and international trade along the inner lines of the Yangtze River, and promote river-sea joint transport business along the Yangtze River. The regional branches provide, or are under preparation for provision of, air terminal bonded logistics service in Suzhou, Wuhan, Beijing, Qingdao and Shanghai.

(ii) Historic financial performance

The audited consolidated income statements of the JJ Investment Group for the Relevant Period, as extracted from the accountants' report set out in Appendix IIA to the Circular, are set out below.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3,025,354	3,111,826	2,542,985	1,209,759	1,501,864
Cost of sales	<u>(2,454,360)</u>	<u>(2,538,364)</u>	<u>(1,992,838)</u>	<u>(935,738)</u>	<u>(1,193,316)</u>
Gross profit	570,994	573,462	550,147	274,021	308,548
Gross profit margin	18.9%	18.4%	21.6%	22.7%	20.6%
Investment income	13,751	41,084	30,698	21,313	12,447
Other gains and losses	50,937	60,474	78,227	36,003	22,374
Selling and marketing expenses	(203,655)	(207,922)	(200,115)	(99,209)	(106,668)
Administrative expenses	(141,177)	(145,425)	(169,882)	(75,458)	(83,894)
Share of results of associates	139,729	121,961	74,789	26,708	46,683
Finance costs	<u>(4,156)</u>	<u>(3,490)</u>	<u>(1,322)</u>	<u>(935)</u>	<u>(2,757)</u>
Profit before tax	426,423	440,144	362,542	182,443	196,733
Income tax expense	<u>(38,747)</u>	<u>(48,311)</u>	<u>(47,700)</u>	<u>(24,595)</u>	<u>(27,536)</u>
Profit for the year/period	<u>387,676</u>	<u>391,833</u>	<u>314,842</u>	<u>157,848</u>	<u>169,197</u>
Profit attributable to shareholders of Jin Jiang Investment	<u>317,304</u>	<u>327,816</u>	<u>274,142</u>	<u>140,059</u>	<u>142,964</u>

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(a) *Revenue*

The breakdown of the JJ Investment Group's revenue by segment for the Relevant Period, as extracted from the accountants' report in Appendix IIA to the Circular, is set out below.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Vehicle Operating					
Services Business	997,565	1,023,734	979,859	488,882	528,420
Trading of Automobile					
Business	426,779	478,213	485,993	224,000	283,001
Refrigerated Logistics					
Management Business	131,366	110,539	73,187	37,171	38,630
Freight Forwarding					
Business	1,280,450	1,305,472	820,183	369,338	564,068
Others	<u>189,194</u>	<u>193,868</u>	<u>183,763</u>	<u>90,368</u>	<u>87,745</u>
	<u><u>3,025,354</u></u>	<u><u>3,111,826</u></u>	<u><u>2,542,985</u></u>	<u><u>1,209,759</u></u>	<u><u>1,501,864</u></u>

Throughout the Relevant Period, the Vehicle Operating Services Business remained the major revenue contributor to the JJ Investment Group accounting for approximately 57% of its total revenue (excluding the Freight Forwarding Business which is carried out by a joint venture). The Trading of Automobile Business was also a significant revenue contributor accounting for approximately 24.5% of its total revenue (excluding the Freight Forwarding Business which is carried out by a joint venture) for FY2007 and its contribution continued to increase throughout the Relevant Period, accounting for approximately 30.2% of its total revenue (excluding the Freight Forwarding Business which is carried out by a joint venture) in the first half of 2010.

Despite the global financial crisis in 2008, the Vehicle Operating Services Business managed to marginally increase revenue by approximately 2.6% from approximately RMB997.6 million for FY2007 to approximately RMB1,023.7 million for FY2008. The increase was mostly attributable to the expansion of the vehicle fleets of the JJ Investment Group. For FY2009, the revenue from the Vehicle Operating Services Business was approximately RMB979.9 million, representing a drop of approximately 4.3% compared to FY2008. The decrease was mainly due to the adverse impact of the global financial crisis on the business, such as decrease in leasing of business vehicles by Fortune 500 customers of the JJ Investment Group, and the decrease in payment from taxi drivers to the JJ Investment Group in FY2009 as a result of changes in PRC tax regulations in 2009. As advised by the management of the JJ Investment Group, cost of sales also decreased under such change of regulations.

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Revenue from the Trading of Automobile Business continued to increase throughout the Relevant Period, increasing by approximately 12.1% from approximately RMB426.8 million for FY2007 to approximately RMB478.2 million for FY2008 and further increasing by approximately 1.6% to approximately RMB486.0 million for FY2009. The increase in revenue in FY2008 was mainly attributable to the increasing sales capacity of the JJ Investment Group through strengthening sales efforts during FY2008. Revenue in the first half of 2010 increased by approximately 26.3% as compared to that of the first half of 2009. The lower revenue in the first half of 2009 was mainly due to the fact that the Trading of Automobile Business had not recovered from the adverse impact of the global financial crisis in 2008.

Apart from the Vehicle Operating Services Business and the Trading of Automobile Business, the JJ Investment Group is also engaged in the Refrigerated Logistics Management Business although its contribution to total revenue was relatively insignificant throughout the Relevant Period. The revenue from the Refrigerated Logistics Management Business has been decreasing in the past three years, declining from approximately RMB131.4 million for FY2007 to approximately RMB110.5 million for FY2008 and further declining to approximately RMB73.2 million for FY2009. The decrease was mainly due to the slow down in the operations of a subsidiary of the JJ Investment Group in the second half of 2008, which is principally engaged in refrigerated food processing business and was subsequently disposed of by the JJ Investment Group in 2009. After excluding the revenue of the above mentioned refrigerated food processing subsidiary, the revenue from the Refrigerated Logistics Management Business increased in the past three years. As a result of the management's effort in strengthening the Refrigerated Logistics Management Business, there was an increase in the revenue in the first half of 2010 compared to that of the corresponding period of the previous year.

The Freight Forwarding Business, which is carried out by a joint venture, remained relatively stable in FY2008. However, its revenue dropped by approximately 37.2% in FY2009, which was mostly attributable to the economy downturn following the outbreak of the global financial crisis in the second half of 2008. The Freight Forwarding Business in the first half of 2010 rebounded by over 50% when compared to the first half of 2009 as the economy began to recover and stabilize in the aftermath of the financial crisis.

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(b) Segment result

	Revenue	Segment Result	Segment Operating Margin
	<i>RMB'000</i>	<i>RMB'000</i>	
Vehicle Operating Services Business			
FY2007	997,565	156,057	15.6%
FY2008	1,023,734	139,396	13.6%
FY2009	979,859	128,262	13.1%
Six months ended 30 June 2009	488,882	69,725	14.3%
Six months ended 30 June 2010	528,420	82,846	15.7%
Trading of Automobile Business			
FY2007	426,779	8,325	2.0%
FY2008	478,213	11,614	2.4%
FY2009	485,993	7,703	1.6%
Six months ended 30 June 2009	224,000	4,331	1.9%
Six months ended 30 June 2010	283,001	6,515	2.3%
Refrigerated Logistics Management Business			
FY2007	131,366	11,078	8.4%
FY2008	110,539	13,023	11.8%
FY2009	73,187	10,732	14.7%
Six months ended 30 June 2009	37,171	5,201	14.0%
Six months ended 30 June 2010	38,630	5,920	15.3%
Freight Forwarding Business			
FY2007	1,280,450	25,724	2.0%
FY2008	1,305,472	26,682	2.0%
FY2009	820,183	10,615	1.3%
Six months ended 30 June 2009	369,338	4,996	1.4%
Six months ended 30 June 2010	564,068	10,203	1.8%

Vehicle Operating Services Business

Operating margin for the Vehicle Operating Services Business was relatively stable throughout the Relevant Period, with margin of around 13% to 15%.

Trading of Automobile Business

Operating margin for the Trading of Automobile Business was low at around 2%. The decrease in the margin from approximately 2.4% for FY2008 to approximately 1.6% for FY2009 was mainly due to the increase in

operating cost mainly arising from the opening of a new 4S station, the operation of which commenced in 2010, and the increase in management fee in FY2009, which offset the increase in revenue of FY2009. For the first half of 2010, operating margin rebounded to the normal margin at approximately 2.3%.

Refrigerated Logistics Management Business

Operating margin for the Refrigerated Logistics Management Business improved from approximately 8.4% for FY2007 to approximately 11.8% for FY2008. Operating margin continued to improve to approximately 14.7% for FY2009 and was approximately 15.3% for the first half of 2010. The improvement in operating margin was mostly due to the disposal of the refrigerated food processing subsidiary as mentioned above.

Operating margin for the first half of FY2010 was approximately 15.3%, which is comparable to that of the previous year.

Freight Forwarding Business

Operating margin for the Freight Forwarding Business, which is carried out by a jointly controlled joint venture, was around 2% for FY2007 and FY2008. In FY2009, the business was adversely affected by the economy downturn in the aftermath of the financial crisis which resulted in a significant drop in revenue and hence operating margin. Operating margin rebounded to approximately 1.8% for the first half of 2010, which was comparable to margin prior to the financial crisis.

(c) Share of results of associates

Share of results of associates mainly represented the share of results of various associated companies in which the JJ Investment Group held an interest of between 20% to 50%. Of these associated companies, 上海浦東國際機場貨運站有限公司 (Shanghai Pudong International Airport Transport Terminal Co. Ltd., "Pudong Airport Cargo") is the JJ Investment Group's most significant investment. The decline in the share of results of associates for FY2009 was mostly due to the drop in the results of Pudong Airport Cargo. In the first half of 2010, there was an increase in the share of results of associates as compared to the first half of 2009, which increase was mostly due to the improvement in the results of Pudong Airport Cargo.

(d) Profit attributable to shareholders of Jin Jiang Investment

Profit attributable to shareholders of Jin Jiang Investment for FY2008 was approximately RMB327.8 million, which was comparable to that for FY2007 of approximately RMB317.3 million.

Profit attributable to shareholders of Jin Jiang Investment for FY2009 fell to approximately RMB274.1 million, representing a decrease of approximately 16.4% compared to FY2008. The decrease was mostly attributable to the global economy downturn triggered by the financial crisis which started in the second half of 2008.

In the first half of 2010, Jin Jiang Investment reported a higher gross profit (which was mainly due to the increased turnover) and a higher share of results from associates as compared to the first half of 2009. Such improvements were mostly offset by the drop in investment income and other gains and thus profit attributable to shareholders of Jin Jiang Investment for the first half of 2010 of approximately RMB143.0 million was comparable to that of approximately RMB140.1 million for the corresponding period in 2009.

(iii) Future prospects

With its long history in passenger transportation and market leader position in Shanghai, the JJ Investment Group's overall operating results were relatively stable throughout the Relevant Period despite the general economy downturn triggered by the financial crisis. For 2010, the Vehicle Operating Services Business will likely benefit from the hosting of the World Expo by Shanghai as a result of the increased visitors to Shanghai.

Looking further ahead, while the operations of the JJ Investment Group will continue to be under pressure as labour costs and wage rates continue to rise, with its market leader position, the Vehicle Operating Services Business will be able to benefit from the strong outlook of the Shanghai economy and the opportunity of expanding its operations to areas outside Shanghai. At the same time, the auto sales and services industry in Shanghai is still in the growing stage without any dominant player, thus providing business growth opportunities for the Trading of Automobile Business. For the Refrigerated Logistics Management Business, the management of Jin Jiang Investment expects continuous growth in the coming years and the contribution from this segment is expected to become more significant.

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(iv) Financial position

	As at 31 December			As at
	2007	2008	2009	30 June
	(Audited)	(Audited)	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	1,028,397	967,051	942,417	1,103,432
Land use rights	133,767	131,662	129,153	127,898
Intangible assets	107,522	119,657	201,151	214,915
Interests in associates	255,036	244,407	226,281	223,762
Available-for-sale financial assets	337,182	204,843	273,080	208,168
Others	<u>127,936</u>	<u>129,296</u>	<u>118,688</u>	<u>100,804</u>
	1,989,840	1,796,916	1,890,770	1,978,979
Current assets				
Inventories	43,695	49,764	46,961	54,792
Trade and other receivables	336,470	281,420	318,813	411,508
Cash and cash equivalents	532,824	743,640	673,976	774,787
Others	<u>4,231</u>	<u>9,298</u>	<u>4,231</u>	<u>30,660</u>
	917,220	1,084,122	1,043,981	1,271,747
Current liabilities				
Trade and other payables	721,049	700,574	670,308	1,011,799
Income taxes payables	16,511	20,335	20,962	27,982
Borrowings	<u>23,262</u>	<u>30,000</u>	<u>—</u>	<u>30,643</u>
	760,822	750,909	691,270	1,070,424
Non-current liabilities				
Deferred income tax liabilities	50,723	17,663	37,186	23,834
Other non-current liabilities	<u>52,738</u>	<u>56,272</u>	<u>49,402</u>	<u>49,149</u>
	103,461	73,935	86,588	72,983
	<u>2,042,777</u>	<u>2,056,194</u>	<u>2,156,893</u>	<u>2,107,319</u>

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	As at 31 December			As at 30 June
	2007	2008	2009	2010
	(Audited)	(Audited)	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Shareholders' equity				
Share capital	551,610	551,610	551,610	551,610
Reserves	<u>1,271,608</u>	<u>1,283,299</u>	<u>1,437,375</u>	<u>1,374,927</u>
Equity attributable to				
shareholders of Jin				
Jiang Investment				
	1,823,218	1,834,909	1,988,985	1,926,537
Non-controlling				
interests				
	<u>219,559</u>	<u>221,285</u>	<u>167,908</u>	<u>180,782</u>
	<u>2,042,777</u>	<u>2,056,194</u>	<u>2,156,893</u>	<u>2,107,319</u>

Major assets of Jin Jiang Investment throughout the Relevant Period were property, plant and equipment, land use rights, investment in associates, available-for-sale financial assets, intangible assets, trade and other receivables and cash and cash equivalents.

Property, plant and equipment mainly represented the net book value of the taxi and buses owned.

Land use rights represented land use rights in respect of land lease situated in the PRC.

Intangible assets mainly represented the depreciated costs of the taxi licences acquired. During FY2009, the JJ Investment Group acquired 733 taxi licences at the aggregate cost of approximately RMB81.5 million, thus leading to an increase in intangible assets as at 31 December 2009.

The investment in associates comprised the investments in various associated companies, details of which are set out in Note 23 of the accountants' report in Appendix IIA to the Circular. There was no significant movement in the composition of the investments in associates throughout the Relevant Period.

Available-for-sale financial assets mainly represented investments in listed and unlisted securities. The fluctuation in the balance of the available-for-sale financial assets throughout the Relevant Period was mostly due to the change in the share price of the listed securities.

The JJ Investment Group's liabilities mostly represented trade and other payables.

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(III) Information relating to Jin Jiang Travel

(i) Principal business

Jin Jiang Travel is principally engaged in provision of travel agency and related services, property leasing and management and other businesses. The travel agency business of Jin Jiang Travel can be categorized into three sectors, namely outbound travel, domestic travel and inbound travel. The “JJTRAVEL” brand has a long history and is widely recognised in Shanghai, China. Jin Jiang Travel is among market leaders in Shanghai in terms of revenue, profit and business volume.

(ii) Historic financial performance

The audited consolidated income statements of Jin Jiang Travel for the Relevant Period, as extracted from the accountants’ report set out in Appendix IIB to the Circular, are set out below.

	Year ended 31 December			Six months ended 30	
	2007	2008	2009	June	2010
	(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000	(Unaudited) RMB'000	(Audited) RMB'000
Turnover	1,642,349	1,696,594	1,599,917	708,673	840,797
Costs of sales/services	<u>(1,499,947)</u>	<u>(1,549,729)</u>	<u>(1,438,958)</u>	<u>(628,921)</u>	<u>(753,332)</u>
Gross profit	142,402	146,865	160,959	79,752	87,465
Gross profit margin	8.7%	8.7%	10.1%	11.3%	10.4%
Investment income	8,740	15,168	13,802	7,722	6,955
Other income and other gains and losses	10,000	125	22,270	9,111	17,072
Selling and marketing expenses	(80,696)	(83,693)	(94,591)	(44,287)	(48,236)
Administrative expenses	(46,344)	(54,562)	(61,315)	(25,340)	(28,716)
Share of results of associates	<u>7,273</u>	<u>2,611</u>	<u>5,450</u>	<u>(1,769)</u>	<u>4,321</u>
Profit before tax	41,375	26,514	46,575	25,189	38,861
Income tax expense	<u>(4,911)</u>	<u>(6,727)</u>	<u>(7,216)</u>	<u>(4,058)</u>	<u>(7,874)</u>
Profit for the year/period	<u><u>36,464</u></u>	<u><u>19,787</u></u>	<u><u>39,359</u></u>	<u><u>21,131</u></u>	<u><u>30,987</u></u>
Profit attributable to shareholders of Jin Jiang Travel	<u><u>36,207</u></u>	<u><u>22,030</u></u>	<u><u>38,983</u></u>	<u><u>21,059</u></u>	<u><u>30,825</u></u>

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(a) *Turnover*

Details of the number of tourists handled by Jin Jiang Travel during the three years ended 31 December 2009, as extracted from the relevant annual reports of Jin Jiang Travel prepared under CASBE and published on Shanghai Stock Exchange, are set out below.

	Year ended 31 December			Six months ended	
	2007	2008	2009	30 June 2009	2010
Outbound tourists handled	93,500	98,600	112,700	57,800	59,800
Domestic tourists handled	210,900	201,300	196,000	85,300	186,500
Inbound tourists handled	399,200	300,200	278,100	115,000	192,800

FY2008 was a very challenging year for the tourism industry in China. The heavy snowstorm in the beginning of the year, the Sichuan earthquake in May, the Xizang independent protest, the abolition of the May “golden week” holiday followed by the commencement of the financial crisis in the second half of 2008 led to a reduction in domestic travel business as well as the inbound travel business as evidenced by the drop in domestic tourists handled by approximately 4.55% and the drop in inbound tourists handled by approximately 24.80%. Countering the adverse effect on the domestic and inbound travel business was the appreciation of RMB and the easing of travel restrictions from mainland China to Taiwan in July 2008 which benefited the outbound travel business with an increase of approximately 5.45% in outbound tourists handled during FY2008. Overall, the turnover for FY2008 recorded a slight increase of approximately 3.3%, increasing from approximately RMB1,642.3 million for FY2007 to approximately RMB1,696.6 million for FY2008.

The operating environment remained difficult in FY2009. The global economic weakness amid uncertainties in the aftermath of the global financial crisis coupled with the outbreak of the Influenza A (H1N1) pandemic continued to affect the PRC tourism sector with reduced inbound foreign visitors to Shanghai in 2009 and domestic travel, resulting in a drop in domestic tourists handled by approximately 2.63% and the drop in inbound tourists handled by approximately 7.36%. On the other hand, outbound travel continued to grow during FY2009 with an increase of approximately 14.30% in outbound tourists handled during the year. Overall, the turnover for FY2009 recorded a decrease of approximately 5.7%, declining from approximately RMB1,696.6 million for FY2008 to approximately RMB1,599.9 million for FY2009.

In the first half of 2010, turnover increased significantly by approximately 18.6% compared to that of the first half of 2009, which business was most hard hit as a result of the outbreak of the financial crisis in late 2008. Turnover for the first half of 2010 also benefited from the hosting of the World Expo by Shanghai which opened in May 2010.

(b) Gross profit margin

Gross profit margin for FY2008 remained stable at approximately 8.7% which was same as that for FY2007. For FY2009, gross profit margin improved to approximately 10.1%, which was mainly due to the improvement in gross profit margin of the inbound and outbound tourism business of Jin Jiang Travel. Gross profit margin of approximately 10.4% for the first half of 2010 remained at similar level as compared to that of FY2009.

(c) Selling and marketing expenses and administrative expenses

Selling and marketing expenses, which mainly comprised labour costs, travel agents commission and advertising expenses, and administrative expenses continued to increase throughout the Relevant Period. The increase was mostly attributable to the increase in wage rates and labour costs.

(d) Profit attributable to shareholders of Jin Jiang Travel

Profit attributable to shareholders of Jin Jiang Travel for FY2008 was approximately RMB22.0 million, representing a decrease of approximately 39.2% compared to FY2007. The decrease was due to the increase in selling and marketing expenses and administrative expenses, the decrease in other income and other gains and the decrease in share of results of associates, which offset the increase in investment income.

Profit attributable to shareholders of Jin Jiang Travel for FY2009 rebounded and was approximately RMB39.0 million, representing an increase of approximately 77.0% compared to FY2008. The increase was partly due to the improvement in gross profit margin as explained above and partly due to the increase in other income and other gains mainly arising from the disposal of available-for-sale financial assets.

Profit attributable to shareholders of Jin Jiang Travel for the first half of 2010 improved to approximately RMB30.8 million as compared to that of RMB21.1 million for the previous year. The improvement was mostly attributable to the increase in turnover and hence gross profit for the first half of 2010 as explained above, an increase in other income and other gains arising from disposal of available-for-sale financial assets and liquidation of an associate of Jin Jiang Travel.

(iii) Future prospects

The past two years were challenging for the tourism industry in China. The global economy suffered a major set back since the outbreak of the financial crisis which started in 2008. There were signs that the global economy began to stabilize since the second half of 2009. For 2010, the hosting of the World Expo by Shanghai will probably have a positive impact on Jin Jiang Travel's operations in 2010. In the longer term, while competition among travel agencies will remain keen and there will also be

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pressure on the operating costs arising from the increase in wage rate and labour costs, the increasing demand for domestic tourism and outbound travel as China nationals become more affluent and the opportunities arising from the opening of direct travelling between the Taiwan Straits will provide strong support to the domestic and outbound travel business. The inbound travel business is also expected to improve with the gradual recovery of the global economy. To capture the market opportunities and to expand its distribution channel, Jin Jiang Travel has devoted significant resources in building a more efficient and comprehensive online sales platform to promote internet booking and B2B business.

(iv) Financial position

	As at 31 December			As at
	2007	2008	2009	30 June
	(Audited)	(Audited)	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	91,887	71,474	70,633	69,172
Investment properties	166,392	177,139	172,854	170,711
Interests in associates	63,129	64,594	69,134	62,751
Available-for-sale financial assets	1,147,456	379,587	882,468	688,303
Others	<u>19,301</u>	<u>18,526</u>	<u>8,244</u>	<u>7,000</u>
	1,488,165	711,320	1,203,333	997,937
Current assets				
Trade and other receivables	123,645	94,753	95,214	203,013
Cash and cash equivalents	312,805	338,418	344,332	375,845
Others	<u>3,360</u>	<u>3,670</u>	<u>6,817</u>	<u>7,374</u>
	439,810	436,841	446,363	586,232
Current liabilities				
Trade and other payables	174,512	137,653	137,406	172,055
Advance from customers	143,729	175,761	164,580	275,701
Income taxes payable	<u>1,674</u>	<u>1,849</u>	<u>2,947</u>	<u>6,165</u>
	319,915	315,263	304,933	453,921
Non-current liabilities				
Deferred income tax liabilities	<u>272,324</u>	<u>80,357</u>	<u>201,286</u>	<u>147,490</u>
	<u>1,335,736</u>	<u>752,541</u>	<u>1,143,477</u>	<u>982,758</u>

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	As at 31 December			As at
	2007	2008	2009	30 June
	(Audited) <i>RMB'000</i>	(Audited) <i>RMB'000</i>	(Audited) <i>RMB'000</i>	(Audited) <i>RMB'000</i>
Shareholders' equity				
Share capital	132,556	132,556	132,556	132,556
Reserves	<u>1,191,617</u>	<u>611,234</u>	<u>1,002,399</u>	<u>845,326</u>
Equity attributable to shareholders of Jin Jiang Travel	1,324,173	743,790	1,134,955	977,882
Non-controlling interests	<u>11,563</u>	<u>8,751</u>	<u>8,522</u>	<u>4,876</u>
	<u>1,335,736</u>	<u>752,541</u>	<u>1,143,477</u>	<u>982,758</u>

Major assets of Jin Jiang Travel throughout the Relevant Period were available-for-sale financial assets and cash and cash equivalents, which aggregate balance represented approximately 75.7%, 62.5%, 74.4% and 67.2% of total assets as at 31 December of each of the three years ended 31 December 2009 and as at 30 June 2010 respectively.

Available-for-sale financial assets mainly represented investments in listed securities in Shanghai Stock Exchange which comprised shares of Bank of Communication (stock code: 601328), SPD Bank (stock code: 600000), Shanghai Yuyuan Tourist Mart Co., Ltd. (stock code: 600655) and Jin Jiang Investment (stock code: 600650). The decrease in the balance as at 31 December 2008 of approximately RMB767.9 million (which amount together with the related deferred tax effect was written-off against reserves) compared to that as at 31 December 2007 was due to plunge of the share prices as a result of the financial crisis in 2008. The portfolio of the investments in available-for-sale financial assets remained largely unchanged in FY2009. The substantial increase in the aggregate market value of the available-for-sale financial assets as at 31 December 2009 to approximately RMB882.5 million was mainly due to the rebound of the share prices of the investee companies. Due to the drop in share price of the investee companies in the first half of 2010, the fair value of the available-for-sale financial assets dropped to approximately RMB688.3 million as at 30 June 2010.

Jin Jiang Travel did not have any interest-bearing debts and its current liabilities mostly represented trade and other payables and advance from customers. The only non-current liability was the deferred income tax liabilities arising from the change in the fair value of the available-for-sale financial assets.

Equity attributable to shareholders of Jin Jiang Travel dropped from approximately RMB1,324.2 million as at 31 December 2007 to approximately RMB743.8 million as at 31 December 2008 while increased to approximately RMB1,135.0 million as at 31 December 2009. Equity attributable to shareholders of Jin Jiang Travel dropped to approximately RMB977.9 million as at 30 June 2010. The

fluctuation in equity attributable to shareholders of Jin Jiang Travel throughout the Relevant Period was mostly due to the change in the market value of the available-for-sale financial assets as explained above.

(IV) Information relating to the tourism industry in the PRC

Considering the nature and location of the principal businesses of each of the Group, Jin Jiang Investment and Jin Jiang Travel, we consider the economy development and the tourism industry of the PRC are important to the business development and future prospects of the Enlarged Group. As such, we have reviewed public information in relation to the economy and the tourism industry of the PRC, details of which are set out below.

The macro economic conditions of the PRC

The country has experienced fast economic growth and strong economic development momentum. According to statistics compiled by National Bureau of Statistics of China (“NBSC”), during the period from 2000 to 2008, the gross domestic product (“GDP”) of the PRC increased from approximately RMB9,921 billion in 2000 to RMB30,067 billion in 2008, representing a compound annual growth rate (“CAGR”) of approximately 14.9%, and GDP per capita of the country also increased from RMB7,858 in 2000 to RMB22,698 in 2008, representing a CAGR of approximately 14.2%. According to the initial statistics compiled by NBSC, GDP of the PRC for 2009 amounted to approximately RMB33,535.3 billion, representing a year-on-year (“YoY”) increase of approximately 8.7%, and GDP of the PRC for the first half of 2010 represents a YoY increase of approximately 11.1%.

With the development of the economy, the disposable income and the consumption expenditure of households in the PRC also increased. During the period from 2000 to 2008, both the annual disposable income per capita of urban households and the annual per capita net income of rural households increased, amounting to approximately RMB15,781 and RMB4,761, respectively, in 2008, representing a CAGR of approximately 12.2% and approximately 9.8%, respectively. In 2008, the annual per capita consumption expenditure of urban households and the annual per capita living expenditure of rural households amounted to approximately RMB11,243 and RMB3,661, respectively, representing a CAGR of approximately 10.7% and approximately 10.3%, respectively.

Population of the PRC also increased gradually, reaching approximately 1.3 billion in 2008 and the average natural growth rate was approximately 0.55% during the period from 2004 to 2008.

The tourism industry

According to information published on the website of World Tourism Organization (“UNWTO”), the international tourism industry has developed at a steady pace since 2005 except the turndown in 2009 with a YoY decrease of approximately 4.2% in the international tourist arrivals. Such decrease was mainly due to the global economic crisis and the H1N1 influenza pandemic. The international tourism started to recover since the fourth quarter of 2009 and during the first four months of 2010, recorded a YoY increase of approximately 7% in the international tourist arrivals. UNWTO also forecasts a growth rate of 3%–4% in the international

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tourist arrivals for the whole year of 2010 based on the significant global recovery expected by the International Monetary Fund. In the forecast of UNWTO, Asia is expected to continue to show its strongest rebound.

In respect of the tourism industry of the PRC, the country ranked the fourth in the international tourist arrivals and the fifth in the international tourist receipts, and also overtook France to rank the fourth among the top ten international tourism spenders in 2009.

Statistics compiled by NBSC shows that overseas tourist arrivals (including foreigners and Chinese from Hong Kong, Macau and Taiwan) and Chinese outbound tourists amounted to approximately 130 million person-times and 45.8 million person-times in 2008, representing a CAGR of approximately 4.5% and 12.3% for the period from 2004 to 2008. In respect of foreigners among the overseas tourist arrivals, which amounted to approximately 24.3 million person-times in 2008, approximately 49.5% was for sightseeing and leisure and approximately 23.3% was for meeting and business purpose. According to the initial statistics compiled by NBSC, overseas tourist arrivals and Chinese outbound tourists in 2009 amounted to approximately 126 million person-times and approximately 47.7 million person-times, representing a YoY decrease of approximately 2.7% and a YoY increase of approximately 4.0%, respectively.

In addition, domestic tourists amounted to approximately 1.7 billion person-times in 2008, representing a CAGR of approximately 11.6% for the period from 2004 to 2008, and expenditure of domestic tourists was approximately RMB875 billion in 2008, representing a CAGR of approximately 16.7% for the period from 2004 to 2008. According to the initial statistics compiled by NBSC, domestic tourists in 2009 amounted to approximately 1.9 billion person-times, representing a YoY increase of approximately 11.1%.

In respect of the tourism industry in Shanghai, statistics compiled by Shanghai Municipal Tourism Administration shows that for the first half of 2010, overseas tourist arrivals (including foreigners and Chinese from Hong Kong, Macau and Taiwan) amounted to approximately 3.9 million person-times, representing a YoY increase of approximately 33.1%. The average occupancy rate of hotels of the city rose to approximately 64.31%, an increase of approximately 14.89 percentage points as compared with that of the same period in 2009, and the average daily room rate also increased by 14.94% to approximately RMB538. In addition, outbound tourists of the city amounted to 515,321 person-times, an increase of approximately 29.98% as compared with that of the same period in 2009.

We also note that the State Council of the PRC approved an opinion (“Opinion”) on accelerating the development of the tourism industry in November 2009 which, among others, positions the tourism industry as a strategic industry and stipulates to develop both inbound and outbound tourism with focus on the development of the domestic tourism. The Opinion also set multi targets for development of the tourism industry of the PRC, including, among others, the respective target number of domestic tourists, overseas overnight tourists and Chinese outbound tourists, being 3.3 billion person-times, 90 million person-times and 83 million person-times, respectively, and GDP attributable to the value-added of the tourism industry increasing to approximately 4.5% of GDP in 2015.

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Given the above, we concur with the view of management of the Company that the tourism industry of the PRC is expected to continue to enjoy fast growth in the near to medium term and the Group, as a leading hotel operator in the PRC and also an integrated market player with focus on hotel business in the tourism industry upon Completion, would be in a good position to enjoy the opportunities in the promising tourism industry of the PRC.

(V) Reasons for entering into of the Share Transfer Agreement and benefits of the Acquisitions

As stated in the Letter from the Board, the Acquisitions would help the Group to develop a new business model through expanding its existing business of operation of star-rated and budget hotels into the upstream and downstream businesses along the tourism industrial chain including passenger transportation and logistics business and travel agencies business. Synergy effect is also expected to be created in consideration of the complementary nature of the businesses of hotel operations, passenger transportation and logistics operations and travel agencies and centralized allocation of resources and management of customer resources, marketing and brand building through common management. Further details in respect of the reasons for and benefits of the Acquisitions are set out in the Letter from the Board.

We have discussed with management of the Company and understand that the existing core business of the Group has been facing fierce competition as a result of the rapidly growing supply of luxury star-rated hotels in Shanghai. As such, the management believes that the Acquisitions would provide the Group with an opportunity to achieve vertical integration along the tourism industry service chain. The management of the Company also considers that the Acquisitions will help to expand the Group's business scale and enhance shareholders' value by increasing the overall competitiveness and profitability of the Company.

Considering the complementary nature of the businesses of the Group, Jin Jiang Investment and Jin Jiang Travel, the promising outlook of the tourism industry in the PRC and the financial effects as elaborated below, we concur with the view of management of the Company that the Acquisitions, which represent a strategic measure for the Company, are in the interests of the Company and the Shareholders as a whole.

(VI) Major terms of the Share Transfer Agreement

Our analysis on the Aggregate Consideration and the payment terms are set out below:

(a) Basis of the Aggregate Consideration

The Aggregate Consideration is RMB2,694,019,996, comprising of the JJ Investment Consideration of RMB2,081,221,443 and the JJ Travel Consideration of RMB612,798,553.

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JJ Investment Consideration

As stated in the Letter from the Board, the JJ Investment Consideration was determined with reference to 90% of the arithmetic average of daily weighted average prices of the A shares of Jin Jiang Investment as quoted on the Shanghai Stock Exchange for 30 trading days before the date of the Share Transfer Agreement, being RMB9.79 per share (the “JJ Investment Benchmark Price”).

To assess the fairness and reasonableness of the JJ Investment Consideration, we have, on a best effort basis, conducted a search of companies that are listed on the Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange and principally engaged in passenger transportation in the PRC market (excluding those categorized as “special treatment” shares (“ST Shares”) which have been making losses and have net liabilities), which we consider represent the closest comparison to the main business of Jin Jiang Investment. Based on such criteria, we have, to the best of our knowledge, identified 3 comparable companies (the “JJ Investment Comparables”). We then compared the valuation multiples, including price earning ratio (“PER”) and price to book ratio (“P/B”), of the JJ Investment Comparables with the implied PER and the implied P/B of the JJ Investment Acquisition, details of which are set out below:

Company	Stock code	Principal business	Market capitalisation (approximately) <i>Note 1</i>	PER (approximately times) <i>Note 1</i>	P/B (approximately times) <i>Note 1</i>
Shanghai Qiangsheng Holding CO., Ltd. (“SH Qiangsheng”)	600662 CH	operation of taxis, as well as maintenance, distribution and leasing of automobiles in Shanghai and Suzhou, the PRC	RMB5,752 million <i>Note 2</i>	46.76 <i>Note 2</i>	3.65 <i>Note 2</i>
Dazhong Transportation (Group) Co., Ltd	900903 CH (B share)	taxi operation, automobile leasing services and public bus passenger	US\$1,627 million (B share)	11.41	1.39
	600611 CH (A share)	transportation business in Shanghai and Beijing, and Jiangsu, Heilongjiang, Sichuan, Zhejiang provinces	RMB11,028 million (A share)	21.69	2.63
Jiangxi Changyun Co., Ltd.	600561 CH	provision of road passenger transportation services in Jiangxi and Anhui provinces and Shanghai	RMB1,785 million	17.54	2.92
Average for the JJ Investment Comparables				24.35	2.65
Implied valuation of the JJ Investment Acquisition				20.10 <i>Note 3</i>	2.88 <i>Note 3</i>

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Notes:

1. Data regarding the market capitalisations, PERs and P/Bs of the JJ Investment Comparables are sourced from Bloomberg as at 30 July 2010 (the “Last Trading Day”), being the last trading day immediately preceding the date of the Share Transfer Agreement.
2. The market capitalisation, PER and P/B of SH Qiangsheng is sourced from Bloomberg as at 11 June 2010 as the trading of the shares of SH Qiangsheng was suspended from 14 June 2010 to 30 July 2010.
3. The implied PER and the implied P/B of the JJ Investment Acquisition is calculated by multiplying the PER and P/B of Jin Jiang Investment sourced from Bloomberg as at 30 July 2010 by 79.53% (being the JJ Investment Benchmark Price divided by the closing price of the A shares of Jin Jiang Investment of RMB12.31 per share sourced from Bloomberg on the Last Trading Day).

As shown above, the PERs of the JJ Investment Comparables range from approximately 11.41 times to approximately 46.76 times, with an average of approximately 24.35 times, and the P/Bs of the JJ Investment Comparables range from approximately 1.39 times to approximately 3.65 times, with an average of approximately 2.65 times. The implied PER of the JJ Investment Acquisition is lower than the average PER of the JJ Investment Comparables, and the implied P/B of the JJ Investment Acquisition is comparable to the average P/B of the JJ Investment Comparables.

We also note that Shanghai Haibo Co., Ltd. (“Haibo”, stock code: 600708 CH) is a company listed on Shanghai Stock Exchange and is engaged in the business of passenger transportation. Each of PER and P/B of Haibo as at the Last Trading Day was 22.93 times and 3.55 times, respectively, both of which are higher than the implied PER and the implied P/B of the JJ Investment Acquisition. Considering that the revenue generated by the passenger transportation business accounted for less than 50% of the total revenue of Haibo for FY2009 according to its annual report, we have not included Haibo as a comparable company in our analysis above.

JJ Travel Consideration

As stated in the Letter from the Board, the JJ Travel Consideration was determined with reference to 90% of the arithmetic average of daily weighted average prices of the B shares of Jin Jiang Travel as quoted on the Shanghai Stock Exchange for 30 trading days before the date of the Share Transfer Agreement, being US\$1.359 per share.

We note from the accountants’ report of Jin Jiang Travel set out in Appendix IIB to the Circular that, in addition to the operations of the travel agency business, Jin Jiang Travel invested in listed securities with an aggregate fair value of RMB688,303,000 as at 30 June 2010 (equivalent to approximately 70.0% of total equity). As such, we consider it more appropriate to delineate these two businesses in our analysis on the JJ Travel Consideration.

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Based on the fair value of the listed securities held by Jin Jiang Travel as at 30 June 2010 of RMB688,303,000 (the “June 2010 Fair Value”), we arrive at the adjusted consideration for acquisition of the approximately 50.21% interest (the “Sale Interest of Travel Business”) in the travel agency business of Jin Jiang Travel of RMB267,202,827.43 (the “Adjusted JJ Travel Consideration”), being the JJ Travel Consideration of RMB612,798,553 less the June 2010 Fair Value attributable to the JJ Travel Acquisition of RMB345,595,725.57.

After excluding the net profit from available-for-sale financial assets of RMB11,628,595.26, which equals to the aggregate of dividend and cumulative gain from available-for-sale financial assets for FY2009, the adjusted earnings (the “Adjusted JJ Travel Earnings”) attributable to the Sale Interest of Travel Business for FY2009 would be RMB7,944,700.47.

We also arrive at the adjusted net asset value (the “Adjusted JJ Travel NAV”) attributable to the Sale Interest of Travel Business, being RMB145,397,106.53, by deducting the June 2010 Fair Value attributable to the JJ Travel Acquisition, being RMB345,595,725.57, from net asset value attributable to the JJ Travel Acquisition, being RMB490,992,832.10.

To assess the fairness and reasonableness of the JJ Travel Consideration, we have, on a best effort basis, searched companies that are listed on the Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange and are principally engaged in travel agencies business in the PRC (excluding those ST Shares). Based on such criteria, we have, to our best knowledge, identified 3 companies (the “JJ Travel Comparables”) which we consider represent the closest comparison to the principal business of Jin Jiang Travel, and compared PERs and P/Bs of the JJ Travel Comparables with the implied PER and the implied P/B of the JJ Travel Acquisition, details of which are set out below.

Company	Stock code	Principal business	Market capitalisation (approximately) <i>Note 1</i>	PER (approximately times) <i>Note 1</i>	P/B (approximately times) <i>Note 1</i>
China International Travel Service Corporation Limited	601888 CH	travel agencies service and related operations	RMB20,073 million	51.84	5.42
Beijing Capital Tourism Co., Ltd	600258 CH	provision of tourism services	RMB4,466 million	24.04	4.76

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Company	Stock code	Principal business	Market capitalisation (approximately) <i>Note 1</i>	PER (approximately times) <i>Note 1</i>	P/B (approximately times) <i>Note 1</i>
China Travel International Investment Hong Kong Ltd.	308 HK	travel agency and related operations, hotel operations, scenic spots operations, resort operations, passenger transportation services, golf club operations, arts performance operations and power generation	HK\$10,935 million	132.41	0.94
Average for the JJ Travel Comparables				69.43	3.71
Implied valuation of the JJ Travel Acquisition				33.63 <i>Note 2</i>	1.84 <i>Note 3</i>

Notes:

1. Data regarding the market capitalisations, PERs and P/Bs of the JJ Travel Comparables are sourced from Bloomberg as at 30 July 2010, being the Last Trading Day, with reference to the latest interim reports published by the JJ Travel Comparables.
2. The implied PER of the JJ Travel Acquisition is calculated based on the Adjusted JJ Travel Consideration of RMB267,202,827.43 and the Adjusted JJ Travel Earnings of RMB7,944,700.47.
3. The implied P/B of the JJ Travel Acquisition is calculated based on the Adjusted JJ Travel Consideration of RMB267,202,827.43 and the Adjusted JJ Travel NAV of RMB145,397,106.53.

As shown above, the PERs of the JJ Travel Comparables range from approximately 24.04 times to approximately 132.41 times, with an average of approximately 69.43 times, and the P/Bs of the JJ Travel Comparables range from approximately 0.94 times to approximately 5.42 times, with an average of approximately 3.71 times. Each of the implied PER and the implied P/B of the JJ Travel Acquisition is lower than the average PER and P/B of the JJ Travel Comparables.

We also note that 國有股東轉讓所持上市公司股份管理暫行辦法 issued by the State Asset Supervision and Administration Commission and the China Securities Regulatory Commission in June 2007 stipulates that the price to be charged by the state-owned shareholder(s) for transferring shares of listed companies shall be determined based on the arithmetic average of daily weighted average prices of the shares of the relevant listed company as quoted on the relevant stock exchange for 30 trading days before the date of the announcement in respect of such transfer (or the date of the relevant agreement if publish of such transfer is not required) with a maximum discount of 10%.

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In addition, based on the statistics published on the website of Shanghai Stock Exchange in respect of daily turnover ratio (defined as traded volume divided by total tradable shares), we note that Jin Jiang Investment had a higher turnover ratio as compared to that of the A share market of Shanghai Stock Exchange for each of June and July 2010; and Jin Jiang Travel also had a higher turnover ratio as compared to that of the B share market of Shanghai Stock Exchange over the same period.

Our view

Given that (i) the implied PER of the JJ Investment Acquisition is lower than the average PER of the JJ Investment Comparables and the implied P/B of the JJ Investment Acquisition is comparable to the average P/B of the JJ Investment Comparables; and (ii) each of the implied PER and the implied P/B of the JJ Travel Acquisition is lower than the average PER and P/B of the JJ Travel Comparables, we are of the view that each of the JJ Investment Consideration and the JJ Travel Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(b) Payment

The Aggregate Consideration shall be satisfied in the following manner:

- (i) RMB231,872,641.20, representing 30% of the Cash Consideration, shall be paid by the Company as a security deposit into a bank account jointly held by Jin Jiang International and the Company within 5 Working Days after the date of signing of the Share Transfer Agreement, which deposit and the interest thereon shall be transferred to a bank account designated by Jin Jiang International as the first instalment of the Cash Consideration on the date when the Condition Precedents, as set out in the Letter from the Board, are satisfied;
- (ii) the balance of the Cash Consideration shall be satisfied after satisfaction of the Condition Precedents and before the date of Completion; and
- (iii) RMB1,921,111,192 to be satisfied by the allotment and issuance of 1,001,000,000 new Domestic Shares at a price (the "Issue Price") of HK\$2.2 per Consideration Share after satisfaction of the Condition Precedents and before the date of Completion.

We have discussed with the Company in respect of the Issue Price and understand that the Issue Price was determined after arm's length negotiations between Jin Jiang International and the Company.

For an issue of new shares of size similar to that of the Consideration Shares relative to the total issued share capital, it is common market practice to determine the issue price by making reference to the average price of the last 5 trading days, 30 trading days and/or 90 trading days preceding the share placing. Considering that the

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Issue Price represents (i) a premium of approximately 6.3% over the price of HK\$2.07 per H Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 12.01% over the average price of HK\$1.964 per H Share over the 5 consecutive trading days up to and including the Last Trading Day; (iii) a premium of approximately 20.95% to the average price of HK\$1.819 per H Share as quoted on the Stock Exchange over the 30 consecutive trading days up to and including the Last Trading Day; (iv) a premium of approximately 8.6% to the average price of HK\$2.026 per H Share as quoted on the Stock Exchange over the 90 consecutive trading days up to and including the Last Trading Day; and (v) a premium of approximately 36.1% to the unaudited net asset value of approximately RMB1.41 per share of the Company attributable to the Shareholders as at 30 June 2010, we are of the view that the Issue Price of HK\$2.2 per new Domestic Share is fair and reasonable.

We also note that the Issue Price is equal to the average price of approximately HK\$2.2 per H Share as quoted on the Stock Exchange for the trading days of the H Shares in the 12 months prior to and including the Last Trading Day. As such, we have reviewed the price fluctuation of the H Shares during the 12-month period immediately preceding the Last Trading Day (the “Share Price Review Period”), the chart of which is set out below.



Source: Yahoo Finance and the Stock Exchange

As illustrated above, the Share Price Review Period can be divided into two periods, comprising the period from 1 August 2009 to mid April 2010 (the “Consolidation Period”), and the period from mid April 2010 to the Last Trading Day (the “Fluctuation Period”).

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Consolidation Period from 1 August 2009 to mid April 2010

During the period, the price of H Share consolidated within the range of between HK\$2.0 to HK\$2.8 per H Share with occasional fluctuations, and trading volume of the H Shares remained low in this period except in a few occasions when the price of H Share experienced short term surges.

The price of H Share rose to HK\$2.59 per H Share and the trading volume increased to approximately 52.5 million shares on 6 August 2009, being the date immediately after the Company announced the proposed asset reorganization (the “Asset Reorganization”) between the Company and Jin Jiang Hotels Development, a subsidiary of the Company, on 5 August 2009. The Company also made announcements on 30 August 2009, 29 October 2009 and 14 May 2010, respectively, to update the progress of the Asset Reorganization.

We also note that the price of H Share decreased to HK\$2.19 per H Share on 21 December 2009 from HK\$2.24 per H Share on 18 December 2009 after the Company announced the proposed merger (“Mergers”) of HAC Merger Sub, Inc. with and into Interstate Hotels & Resorts, Inc. and merger of HAC Merger Partnership, L.P. with and into Interstate Operating Company, L.P. and the guarantee granted by the Company on 20 December 2009. The Company made announcements on 12 March 2010 and 18 March 2010 to update the progress of the Mergers. The price of H Share stabilized in early 2010 and remained within the narrow range of between HK\$2.25 to HK\$2.77 per H Share until April 2010.

Fluctuation Period from mid April 2010 to the Last Trading Day

The price of H Share slumped from HK\$2.66 per H Share on 20 April 2010 to HK\$1.49 per H Share on 26 May 2010, and then climbed up again with interim fluctuations until the Last Trading Day. We are not aware of any other public announcements, except the final results announcement dated 16 April 2010, the announcement dated 14 May 2010 to update the progress of the Asset Reorganization, and the announcement dated 21 June 2010 in relation to the acquisition of interest in Jin Jiang Inn, which are price sensitive in nature during the period. We note that the Shanghai Stock Exchange Composite Index decreased from approximately 3,200 points in early April 2010 to approximately 2,555 points in late May 2010.

Analysis

Given the high volatility of the price of H Share within a range of HK\$1.49 to HK\$2.77 per H Share during the Share Price Review Period and the plunge in the price of H Share in April 2010, the reason of which we are not able to identify based on public information, and the price performance of the H Shares in the past few months, we consider that it is reasonable for the management of the Company to determine the Issue Price with reference to the share price performance over the past 12 months.

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We have also discussed with management of the Company in respect of other possible financing alternatives to pay up the Aggregate Consideration, such as debt financing (including bank borrowings and issuance of corporate bond), rights issue, open offer or placing. Management considers that those financing alternatives may not be optimal after taking into account (i) the lengthy negotiation process and relatively higher financing cost for the Company for debt financing; (ii) the time required to identify appropriate underwriter(s) and to reach a mutually-agreed subscription price for rights issue or open offer and substantial cost related to underwriting commission; (iii) the more significant dilution effects on shareholdings of those non-participating Shareholders as subscription price for rights issue or open offer would normally be set at a discount to the market price of the shares; and (iv) the pressure on the price of H Share after a substantial placing and substantial cost related to placing commission. It could also help the Company to preserve its cash outflow for future expansion. Given the above, we concur with the view of management of the Company that financing part of the Acquisitions by issue of the Consideration Shares is in the interests of the Company.

Our view

Having considered the above, we are of the view that the terms of the Share Transfer Agreement, in particular the Aggregate Consideration and the payment method, the issue of the Consideration Shares and the Issue Price, are on normal commercial terms, and fair and reasonable and in the interests of the Group and the Shareholders as a whole.

(VII) Dilution effect on shareholding of the Company

Assuming that there are no other changes (except the issue of the Consideration Shares) in the issued share capital of the Company between the Latest Practicable Date and the date of Completion, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon Completion is as follows:

Shareholders	As at the Latest Practicable Date		Upon Completion	
	Number of shares held	Shareholding	Number of shares held	Shareholding
Jin Jiang International	3,014,825,000 (Domestic Shares)	approximately 66.04%	4,015,825,000 (Domestic Shares)	approximately 72.15% <i>Note</i>
Shanghai Jin Jiang International Investment and Management Company Limited	158,675,000 (Domestic Shares)	approximately 3.48%	158,675,000 (Domestic Shares)	approximately 2.85% <i>Note</i>
Public Shareholders	1,391,500,000 (H Shares)	approximately 30.48%	1,391,500,000 (H Shares)	25%
Total	4,565,000,000	100.00%	5,566,000,000	100.00%

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Note: Jin Jiang International has applied for an approval from the State-owned Assets Supervision and Administration Commission of the State Council to transfer the 158,675,000 Domestic Shares held by Shanghai Jin Jiang International Investment and Management Company Limited, a wholly owned subsidiary of Jin Jiang International, to itself. In the event that the approval is granted before Completion, such Domestic Shares will be held by Jin Jiang International directly such that Jin Jiang International will hold 4,174,500,000 Domestic Shares, representing 75% of the total registered share capital of the Company upon Completion.

We note that the interest of the public Shareholders will be diluted from approximately 30.48% to 25% upon issuance and allotment of the Consideration Shares under the Share Transfer Agreement. We consider such dilution effect is justifiable after taking into account (i) the fact that the Acquisitions represent a valuable opportunity for the Group to become a more substantial company providing comprehensive and complementary services along the travel industry service chain; (ii) the fairness of the Aggregate Consideration and the Issue Price; (iii) the positive effect of the Acquisitions on the earnings and net asset value as elaborated below; and (iv) the fact that there will be no material immediate cash outflow for the Company in respect of the Acquisitions (save for the Cash Consideration and the payment of related expenses in relation thereto).

(VIII) Possible financial effects of the Acquisitions

(i) Accounting treatment upon Completion

As stated in the Letter from the Board, as at the Latest Practicable Date, the Company indirectly held approximately 2.22% of the total registered share capital of Jin Jiang Investment and Jin Jiang Travel, directly and indirectly, held approximately 0.15% of the total registered share capital of Jin Jiang Investment. Accordingly, upon Completion, Jin Jiang Travel will become a 50.21% owned subsidiary of the Company and Jin Jiang Investment will also become a 40.91% owned subsidiary given the Company's de facto control over Jin Jiang Investment despite its interest in Jin Jiang Investment is less than 50%. The results of each of Jin Jiang Travel and Jin Jiang Investment will be consolidated into the Group's accounts.

(ii) Earnings

As stated in the annual report of the Company for FY2009, the earnings attributable to the Shareholders for FY2009 is approximately RMB118.9 million, and, as stated in the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to the Circular, such earnings would be approximately RMB239.6 million. As such, the Acquisitions are expected to improve earnings attributable to the Shareholders immediately upon Completion.

(iii) Net asset value

As stated in the unaudited pro forma financial information of the Enlarged Group as at 30 June 2010 set out in Appendix III to the Circular, the net asset value attributable to the Shareholders would increase by approximately RMB389.1 million as a result of the Acquisitions, which is mainly attributable to the increase in share

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capital and share premium in connection with the issue of new Domestic Shares, and the debit of merger reserve in connection with acquisition of Jin Jiang investment and Jin Jiang Travel under common control.

(iv) Working capital

As stated in the Letter from the Board, the Cash Consideration of RMB772,908,804 will be funded by internal resources of the Company and financing. We note from the interim report of the Company for the six months ended 30 June 2010, the Group had cash and cash equivalents of approximately RMB1,395.9 million as at 30 June 2010. As such, we consider the Group would have sufficient internal resources to fund the Cash Consideration.

In addition, as disclosed in Appendix I to the Circular, the Directors are of the opinion that the Enlarged Group has sufficient working capital for at least the next 12 months from the date of the Circular.

Given the above, we consider that the Acquisitions would not have any material adverse impact on the working capital of the Group immediately upon Completion.

(v) Gearing ratio

The gearing ratio, calculated as total borrowings divided by total assets, would decrease from that as at 30 June 2010, being approximately 16.0%, to approximately 12.4% based on the unaudited pro forma financial information of the Enlarged Group as at 30 June 2010 set out in Appendix III to the Circular.

RECOMMENDATION

Having considered the principal factors and reasons referred to the above, in particular:

- the Acquisitions allow the Company to become a more substantial company providing comprehensive and complementary tourism services including hotel operations, passenger transportation and travel agency services;
- the Acquisitions provide the Company with an opportunity to expand its business and achieve vertical integration along the tourism industry service chain, which in turn is expected to create synergy effect and improve the overall competitiveness and profitability for the Group;
- the implied PER of the JJ Investment Acquisition is lower than the average PER of the JJ Investment Comparables, the implied P/B of the JJ Investment Acquisition is comparable to the average P/B of the JJ Investment Comparables, and each of the implied PER and the implied P/B of the JJ Travel Acquisition is lower than the average PER and P/B of the JJ Travel Comparables; and

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- the Issue Price, which equals to the average price of H Share for the 12 month period up to and including the Last Trading Day, is at a premium to the average 30-trading-day price and the average 90-trading-day price of H Share, respectively, and a premium of approximately 36.1% to the unaudited net asset value per share attributable to the Shareholders as at 30 June 2010;

we are of the view that the Share Transfer Agreement (including the issue of the Consideration Shares), which is not in the ordinary and usual course of business of the Company, is on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of (i) the ordinary resolution to be proposed at the EGM and the H Shareholders' Class Meeting to approve the Share Transfer Agreement and the transactions contemplated thereunder; and (ii) the special resolution to be proposed at the EGM and the H Shareholders' Class Meeting to approve the issue of the Consideration Shares.

Yours faithfully,
For and on behalf of
CIMB Securities (HK) Limited
Alex Lau **Heidi Cheng**
Head *Deputy Head*
Corporate Finance *Corporate Finance*

(A) FINANCIAL INFORMATION INCORPORATED BY REFERENCE

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2010 and the audited consolidated financial statements of the Group for each of the two years ended 31 December 2008 and 2009 together with the relevant notes to the accounts, which are incorporated by reference in this circular, could be found in the interim report and the annual reports of the Company published on the website of the Stock Exchange (<http://www.hkexnews.hk>) with the title Interim Report 2010 dated 13 September 2010 (<http://www.hkexnews.hk/listedco/listconews/sehk/20100913/LTN20100913482.pdf>) from pages 22 to 56, “Annual Report 2009” dated 28 April 2010 (<http://www.hkexnews.hk/listedco/listconews/sehk/20100428/LTN20100428426.pdf>) from pages 62 to 148 and “Annual Report 2008” dated 30 April 2009 (<http://www.hkexnews.hk/listedco/listconews/sehk/20090430/LTN20090430435.pdf>) from pages 62 to 140.

(B) MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2010 AND EACH OF THE THREE YEARS ENDED 31 DECEMBER 2009**(i) For the six months ended 30 June 2010**

The following is the management discussion and analysis extracted from the 2010 interim report of the Company.

Business Review

During the Reporting Period, the hotel industry of the Shanghai area continued to experience relatively notable recovery since the beginning of the second quarter of 2010, with the benefit of the opening of the Shanghai World Expo 2010. During the Reporting Period, revenue for the Group amounted to approximately RMB2,762,358,000, which represented an increase of 81.89% against the same period last year. Operating profit of the Group was approximately RMB273,197,000, which was 6.28% higher than the amount for the same period last year. Operating profit of the Group excluding other income was approximately RMB151,539,000, representing an increase of RMB161,759,000 as compared to the same period of 2009. Profit attributable to the shareholders of the Company amounted to approximately RMB118,129,000, representing a growth of approximately 8.78% against the same period last year. The increase in revenue was mainly attributable to the increase in revenue from the Group’s Star-rated hotels and Budget Hotels, as well as the proportionate consolidation of IHR Group’s 50% revenue following the acquisition of such jointly controlled entity since 18 March 2010. The substantial increase in operating profit excluding other income was mainly attributable to the substantial increase in revenue generated from Star-rated hotels and Budget Hotels.

In terms of business expansion, as at 30 June 2010, the Group held or managed 614 hotels with approximately 97,000 rooms either in operation or under development, spreading across 148 cities in 31 provinces, autonomous regions and municipalities in China. The Group remains the leading hotel group in the PRC in terms of the number of hotel rooms offered.

During the Reporting Period, the Group achieved further progress in its internal reorganisation with the completion of ownership transfer procedures relating to the assets swap of Star-rated hotels and Budget Hotels, the Acquired Interests, the Disposed Interests and the receipt of “Asset Ownership Transaction Certificates” issued by the Shanghai United Assets and Equity Exchange.

The Group established HAC on a 50: 50 basis jointly with Thayer, a company with proven experience in investments. On 18 December 2009, HAC entered into a merger agreement with IHR Group to acquire the entire equity interests in IHR Group at a price of US\$2.25 per share. The transaction was completed on 18 March 2010. Following completion, IHR Group became a wholly-owned subsidiary of HAC and the Company indirectly owns a 50% equity interest in IHR Group through HAC.

On 1 April 2010, Shanghai Jin Jiang International Hotels Group (HK) Co., Ltd. entered into a hotel management joint venture agreement with Interstate Europe S.A.R.L., an indirect wholly-owned subsidiary of IHR Group, in respect of the establishment of a joint venture hotel management company. On the same day, the Company entered into (i) an equity investment management company joint venture contract with Thayer International Capital LLC (a company controlled by or affiliated with Thayer) in respect of the establishment of an equity investment management company; (ii) a non-legally binding industrial fund memorandum with Thayer in respect of the joint establishment of a fund; and (iii) a training plan memorandum with IHR Group and Thayer.

The Group collected a number of awards in hospitality industry during the Reporting Period. We were named again in the list of “Hotels China Award 2010, Hotel Corporate Top 10” awarded by the Chinese edition of the US HOTELS magazine. Furthermore, Jin Jiang International Hotel Management Company Limited, a subsidiary of the Group, was named a “Model for Corporate Governance in the PRC Hotel Industry”. During the Reporting Period, “Jin Jiang Inn” trademark was recognised by the Trademark Office of the State Administration of Industry and Commerce as a famous trademark, and “Jin Jiang Inn” brand was named among the best branded budget hotels in the Greater China by the Tourism Award Committee of TTG China.

As the Group actively seized business opportunities arising from the Shanghai World Expo, seven Star-rated hotels under the Group were designated to provide accommodation for domestic distinguished guests of the Shanghai World Expo, while 12 Star-rated hotels and 26 Jin Jiang Inn Budget Hotels were designated as participation hotels of the Shanghai World Expo. RevPAR of the

Group's Star-rated hotels in Shanghai increased by approximately 55% during the Reporting Period and by approximately 130% in May and June, as compared to the corresponding periods last year. RevPAR of the Group's Budget Hotels in Shanghai rose approximately 28% to approximately RMB200 during the Reporting Period and approximately 60% to RMB269 in May and June, as compared to the corresponding periods last year.

Star-rated Hotels

Star-rated hotel business is one of the major sources of revenue for the Group and Shanghai is the base of the Group's business where approximately 80% of our self-managed Star-rated hotels are located. During the Reporting Period, Star-rated hotel business contributed approximately RMB1,213,267,000 to the Group's revenue, growing by 34.5% against the same period last year.

The overall refurbishment of Peace Hotel has been completed and the hotel has been re-opened since 28 July 2010. The re-opened Peace Hotel features state-of-the-art modern facilities in a setting of historical and cultural heritage and the Group intends to develop it as one of the most luxurious Star-rated hotels in Shanghai.

Y.M.C.A Hotel commenced soft operation in February 2010 as the first Commercial Hotel under the new brand name of "Marvel". The renovated Y.M.C.A Hotel features 142 hotel rooms and a 24-hour restaurant. The hotel has been well received by the market since its opening and its Occupancy Rate has increased quickly.

Renovation of the guest rooms, the corridors and the elevator hall at the North Tower of Jin Jiang Hotel was completed in mid April 2010. Renovation of the guest rooms on every floor, the executive lounge on the 40th floor and the 24-hour restaurant at the lobby at Jin Jiang Tower has been fully completed, while renovation work at the reception area of the lobby of Jin Jiang Tower was completed in late April 2010. The renovation has resulted in significant improvements in guest-room facilities.

On 28 January 2010, the Company entered into a share transfer agreement with Shanghai Sanhe Real Estate Company Limited ("Shanghai Sanhe") for the disposal of all its 30% equity interest in Chengdu Jinhe to Shanghai Sanhe for a consideration of approximately RMB17,760,000. The final consideration will be further negotiated based on the valuation of the 30% equity interest in Chengdu Jinhe and is not determinable as at 27 August 2010. After completion of the transfer, the Company will no longer hold any equity interest in Chengdu Jinhe.

Energy conservation continued to be on top of the Group's agenda as we actively employed energy-saving technologies. During the Reporting Period, the Group completed the renovation of the exterior walls of Galaxy Hotel and Rainbow Hotel, where aluminium panels with temperature-keeping fillings were used and energy-saving aluminium alloy windows with sound and heat insulation

features were installed to replace the traditional single-layer glass, resulting in significant energy conservation for the overall architecture of the two hotels. Meanwhile, the Group implemented air-source technology upgrade projects on a trial basis at various other hotels where appropriate, after achieving initial success in the geo-thermal heat pump energy-conservation technology projects. Trial operations of residual heat recycling were also conducted at certain of the Group's hotels, in addition to the employment of pressurised energy-saving water pump technology at certain hotels to carry out energy-saving conversions for traditional, powerful water pumps.

As at 30 June 2010, the Group owned and managed 109 Star-rated hotels with a total of 33,000 guest rooms, of which 77 hotels were managed by third-parties other than Jin Jiang International.

For online sales, development of the Jin Jiang Central Reservation System (JREZ) continued during the Reporting Period with efforts to expand channels for centralised reservations. Bookings through JREZ for about 67,000 room nights were received during the Reporting Period, representing a 68% increase against the same period last year. Referrals through the international distribution system (IDS) and the global distribution system (GDS) accounted for 63% of the patrons.

Budget Hotels

Budget Hotels represent another principal operation of the Group. The business of Budget Hotels comprises mainly the operation of Jin Jiang Inn Budget Hotels on leased properties, the grant of franchises of the brand of Jin Jiang Inn to third-party hotel owners and the development of Budget Hotels on the Group's own properties.

Budget Hotels reported a fast growth in turnover during the Reporting Period, contributing approximately RMB737,810,000 to the Group's revenue, representing a 37.3% growth over the same period last year and accounting for 26.7% of the Group's turnover. Initial and ongoing franchise fees income amounted to approximately RMB50,335,000, representing a 38.4% growth over the same period last year.

During the Reporting Period, Jin Jiang Inn entered into new agreements for the development of 16 self-managed hotels and 50 franchised hotels. As at 30 June 2010, a total of 505 Jin Jiang Inn Budget Hotels were either in operation or under development (including 38 Bestay Hotels Express), offering over 63,000 guest rooms. During the Reporting Period, 36 new Jin Jiang Inn Budget Hotels commenced operations, among which 11 were self-managed hotels and 25 were franchised hotels. As at 30 June 2010, there were 369 Jin Jiang Inn Budget Hotels in operation.

During the Reporting Period, 160,000 patrons enrolled as members of Jin Jiang Inn, taking the total number of membership to 990,000. A total of 390,000 Jin Jiang Inn-Bank of Communications Cards had been issued and over 6,300 enterprises had registered as corporate members. Meanwhile, through the commissioning of the new paging centre and by strengthening its marketing efforts for online reservation, Jin Jiang Inn has effectively enhanced its room reservation functions, provided additional marketing support for chain outlets throughout the nation and boosted its capacity for guest reception.

Food and Restaurants

During the Reporting Period, the Group's various brands of restaurant chains held through Jin Jiang Hotels Development continued to report a stable growth. As at 30 June 2010, Shanghai KFC had a total of 260 outlets, 14 more than it had as at the end of 2009, recording a steady growth in revenue and profit and maintaining its leading position in Shanghai's fast food industry. New Asia Snacks, Shanghai Yoshinoya and Jing An Bakery had 56, 19 and 65 outlets respectively. Chinoise Story operated two restaurants at Jin Jiang Hotel and Wuhan Jin Jiang International Hotel respectively.

Overseas Hotels

The overseas hotel business of the Group was mainly represented by IHR Group in which the Group had a 50% equity interest. For the period from 18 March 2010 (date of acquisition of IHR Group) to 30 June 2010, IHR Group and its affiliates managed and/or owned interests in 232 hotel properties located variously in 36 states and the District of Columbia of the United States, Russia, India, Mexico, Belgium, Canada, Ireland and England, supplying over 46,000 guest rooms in aggregate. Through proportionate consolidation, IHR Group contributed to the Group operating revenue equivalent to approximately RMB699,788,000 for the period from 18 March 2010 (date of acquisition of IHR Group) to 30 June 2010, including hotel operation revenue equivalent to approximately RMB79,487,000, hotel management revenue equivalent to approximately RMB51,271,000, and other revenue from managed properties equivalent to approximately RMB569,030,000. IHR Group reported an ADR of US\$102 and average Occupancy Rate of 67.3% for its owned hotels. IHR Group reported higher Occupancy Rate but lower ADR as compared to the same period last year, while its RevPAR was basically the same as compared to the same period last year. The other revenue from managed properties represents the expenses incurred in managing the hotel properties for which IHR Group is contractually reimbursed by the property owner and generally includes salary and employee benefits for the employees working in the properties and certain other related costs. The reimbursable expenses were recorded as revenue and cost of sales with zero effect on operating profit.

*Financial Review**Turnover*

The Group's financial information for the Reporting Period against the same period in 2009 is set out below:

	Six months ended		Six months ended	
	30 June 2010		30 June 2009	
	<i>RMB</i>	<i>Percentage</i>	<i>RMB</i>	<i>Percentage</i>
	<i>million</i>	<i>of Turnover</i>	<i>million</i>	<i>of Turnover</i>
Star-rated hotels	1,213.3	43.9%	902.2	59.4%
Budget Hotels	737.8	26.7%	537.4	35.4%
Food and restaurants	95.3	3.5%	64.8	4.3%
Other operations in				
China	16.2	0.6%	14.3	0.9%
Overseas hotels	<u>699.8</u>	<u>25.3%</u>	<u>—</u>	<u>—</u>
Total	<u>2,762.4</u>	<u>100.0%</u>	<u>1,518.7</u>	<u>100.0%</u>

Star-rated Hotels

The following table sets out turnover contributions from the operating segments and different businesses of the Group's Star-rated hotels as a percentage of the Group's turnover for the Reporting Period against the same period in 2009:

	Six months ended		Six months ended	
	30 June 2010		30 June 2009	
	<i>RMB</i>	<i>Percentage</i>	<i>RMB</i>	<i>Percentage</i>
	<i>million</i>	<i>of Turnover</i>	<i>million</i>	<i>of Turnover</i>
— Accommodation revenue	623.2	51.3%	414.5	46.0%
— Food and beverage sales	393.9	32.4%	317.6	35.2%
— Rendering of ancillary services	60.3	5.0%	48.7	5.4%
— Rental revenue	77.4	6.4%	73.9	8.2%
— Sales of hotel supplies	28.6	2.4%	22.0	2.4%
— Star-rated hotel management	<u>29.8</u>	<u>2.5%</u>	<u>25.6</u>	<u>2.8%</u>
Total	<u>1,213.34</u>	<u>100.0%</u>	<u>902.2</u>	<u>100.0%</u>

Accommodation Revenue

Accommodation revenue was mainly determined by the number of Available Rooms, Occupancy Rate and ADR of the Group's hotels. The accommodation revenue of Star-rated hotels for the Reporting Period was approximately RMB623,159,000, representing a substantial increase of 50.4% over the same period in 2009. The growth was attributable to the significant improvements in the average Occupancy Rate and ADR over the same period last year because of the opening of the Shanghai World Expo, as Shanghai recorded a 33.1% increase in the number of inbound tourists during the Reporting Period according to the statistics published by the Shanghai Municipal Tourism Administrative Commission. According to the information published on the official website of the Shanghai World Expo 2010, 21.13 million visitors had visited the World Expo Park as at 30 June 2010.

Food and Beverage Sales

The Group's food and beverage sales primarily comprise catering for weddings and conferences, room services for guests and other sales in bars and restaurants in the hotels. Revenue from food and beverages sales at Star-rated hotels increased by approximately 24.0% over the same period last year to approximately RMB393,863,000, reflecting the increase in the prices of food and beverage and banquet driven by higher costs in utilities, labour and raw materials, coupled with improved hotel Occupancy Rates.

Rendering of Ancillary Services

The revenue from rendering of ancillary services mainly represents the turnover generated from gift shop, entertainment, laundry services and other guest services. During the Reporting Period, the revenue from rendering of ancillary services amounted to approximately RMB60,334,000, representing an increase by approximately RMB11,629,000 or approximately 23.9% as compared to the same period in 2009.

Rental Revenue

During the Reporting Period, rental revenue was mainly generated from the leasing of space at the Group's hotels for shops, showcase and other purposes. The rental revenue increased by approximately RMB3,562,000 or approximately 4.8% against the same period in 2009.

Sales of Hotel Supplies

During the Reporting Period, turnover from guest amenities and hotel supplies increased by approximately RMB6,621,000 or approximately 30.1% as compared to the same period in 2009. The increase was mainly attributable to the increase in the business volume of Star-rated hotels.

Star-rated Hotel Management

The sales revenue of Star-rated hotel management for the first half of 2010 amounted to approximately RMB29,838,000, representing an approximately 16.4% increase over the same period last year. Such sales revenue represented mainly the management fee received from hotel management services provided to Star-rated hotels not owned by the Group. Revenue from management fees increased as the operating results of the managed hotels improved steadily in tandem with the economic recovery. The increase was also attributable to the addition of new managed hotels during the Reporting Period.

Budget Hotels

Turnover of Budget Hotels during the Reporting Period amounted to approximately RMB737,810,000, representing an increase of approximately RMB200,431,000 or approximately 37.3% against the same period last year. The increase was mainly attributable to the increase in Available Rooms from the 11 newly opened Budget Hotels during the Reporting Period and 10 newly opened Budget Hotels during the second half of 2009, as well as the increase in initial franchise fees and ongoing franchise fees received from Franchisees for the grant of rights to use our brand and the provision of technical and management services. Initial and ongoing franchise fees income for the Reporting Period amounted to approximately RMB50,335,000, representing a growth of 38.4% against the same period last year.

Food and Restaurant Operation and Others

Revenue from the food and restaurant operation is mainly derived from New Asia Café de Coral, Chinoise Story and Shanghai New Asia Food Company Limited. During the Reporting Period, revenue from the segment of food and restaurant operation amounted to approximately RMB95,288,000, representing an increase of approximately RMB30,533,000 or 47.2% against the same period in 2009. Revenue from the food and restaurant operation was mainly derived from the fast food chain operations and moon cake production business, namely New Asia Café de Coral, Chinoise Story and Shanghai New Asia Food Company Limited. The growth during the Reporting Period was attributable mainly to the increase in sales revenue of the restaurant chains driven by the massive influx of tourists visiting the Shanghai World Expo, as well as the fact that New Asia Café de Coral has only been included in the consolidated financial statements since March last year.

Moreover, the Group also engages in other businesses, including the provision of intra-group financial services through Jin Jiang International Finance and the operation of training schools. During the Reporting Period, revenue from such other businesses amounted to approximately RMB16,205,000, representing an increase of approximately 12.9% against the same period last year.

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB2,108,370,000, representing an increase of approximately 81.2% against the same period last year. The increase was mainly attributable to the additional cost of sales associated with the inclusion of IHR Group in the consolidated financial statements amounting to approximately RMB621,492,000 and the increase in the consumption of utilities and supplies with higher Occupancy Rates at the Star-rated hotels and Budget Hotels. The increase in cost of sales was also attributable to the addition of West Capital International Hotel in Xi'an, the re-opening of Y.M.C.A Hotel as a Commercial Hotel, as well as the business expansion and increase in chain outlets of Budget Hotels. Cost of sales from IHR Group, after proportionate consolidation, included other expenses from managed properties equivalent to approximately RMB569,030,000, which was the same amount as other revenue from managed properties and has zero effect on operating profit.

Gross Profit

For the above reasons, the Group recorded a gross profit of approximately RMB653,988,000 for the Reporting Period, representing an increase of approximately RMB299,014,000 or approximately 84.2% as compared to the same period in 2009.

Other Income

Other income for the Reporting Period amounted to approximately RMB121,658,000, representing a decrease of 54.48% as compared to the same period last year, which was mainly attributable to the gains of approximately RMB75,619,000 from the disposal of shares in Shanghai Pudong Development Bank Co., Ltd. by the Group, approximately RMB69,476,000 from the disposal of a 45% equity interest in Shanghai Zhongya Hotel and approximately RMB62,932,000 from the disposal of a 7% equity interest in Shanghai KFC, respectively by Jin Jiang Hotels Development, for the same period last year while no such gains in the Reporting Period. In addition, dividend of approximately RMB52,331,000 (same period in 2009: approximately RMB10,064,000) was received from Changjiang Securities for the Reporting Period. Other income for the Reporting Period also include dividend income received from equity investments in KFCs in Suzhou, Wuxi and Hangzhou, amounted to approximately RMB37,114,000 (same period in 2009: approximately RMB36,025,000).

Selling and Marketing Expenses

Selling and marketing expenses for the Reporting Period, comprising primarily labour costs, travel agents commission and advertising expenses, amounted to approximately RMB103,766,000 (same period in 2009: approximately RMB74,683,000), representing an increase of approximately

38.9% against the same period last year. This included additional selling and marketing expenses associated with the inclusion of IHR Group in the consolidated financial statements for the period from 18 March 2010 (date of acquisition of IHR Group) to 30 June 2010 amounting to approximately RMB10,393,000. In addition, travel agents commission and labour costs also increased.

Administrative Expenses

Administrative expenses for the Reporting Period increased by approximately 36.3% to approximately RMB382,098,000 (same period in 2009: approximately RMB280,255,000), comprising mainly additional administrative expenses attributable to the inclusion of IHR Group in the consolidated financial statements for the period from 18 March 2010 (date of acquisition of IHR Group) to 30 June 2010 in the approximate amount of RMB54,492,000, the addition of West Capital International Hotel in Xi'an, the re-opening of Y.M.C.A Hotel as a Commercial Hotel, the pre-operating expenses of Peace Hotel, as well as the business expansion and increase in chain outlets of Budget Hotels.

Other Expenses

Other expenses for the Reporting Period, consisting primarily of bank charges and losses from the disposal of property, plant and equipment, increased by approximately 61.7% to approximately RMB16,585,000 (same period in 2009: approximately RMB10,256,000). The growth reflected a growth in credit card commission in line with the increase in turnover in hotel operations, resulting in higher bank charges.

Finance Cost

Finance cost comprises mainly interest expenses in respect of the Group's bank borrowings. During the Reporting Period, finance cost increased by approximately 106.91% to approximately RMB39,415,000 (same period in 2009: approximately RMB19,049,000), reflecting mainly an increase in finance cost by approximately RMB15,620,000 as a result of the inclusion of IHR Group in the consolidated financial statements since 18 March 2010 and the additional finance cost of the Company amounting to approximately RMB8,865,000.

Share of Results of Associates

Results of associates primarily include results of the Group's associates Shanghai Kentucky Fried Chicken Company Limited ("Shanghai KFC") and Shanghai Yangtze Hotel Company Limited ("Shanghai Yangtze"). Share of results of associates for the Reporting Period amounted to approximately RMB40,085,000 (same period in 2009: approximately RMB31,194,000). The increase was mainly attributable to the increase in share of results from Shanghai Yangtze and Shanghai KFC by approximately RMB5,163,000 and RMB1,657,000, respectively, as compared to the same period last year.

Taxation

The effective tax rate for the Reporting Period was approximately 18.19% (same period in 2009: approximately 19.42%).

Net Profit

As a result of the factors described above, net profit for the Reporting Period attributable to the shareholders of the Company was approximately RMB118,129,000 (same period in 2009: approximately RMB108,593,000), representing an increase of approximately RMB9,536,000 or approximately 8.78% against the same period last year.

Pledge of Assets

As at 30 June 2010, finance lease equipment of the Group's PRC companies with a carrying amount of approximately RMB26,355,000 was pledged as security for finance lease liabilities of the Group with a carrying amount of RMB27,035,000. Assets of the Group's overseas companies with a carrying amount of approximately US\$173,407,000 was pledged as security for bank borrowings with a carrying amount of approximately US\$102,749,000.

Gearing Ratio

The gearing ratio (calculated as total borrowings divided by total assets) increased from approximately 8.4% as at 31 December 2009 to approximately 16.0% as at 30 June 2010.

Group Debts and Financial Conditions

The total amount of bank loans owed by the Group's PRC companies as at 30 June 2010 was US\$18,960,000 (equivalent to RMB128,755,000), which were guaranteed loans. The total amount of entrusted loans owed to related party Jin Jiang International was RMB901,563,000. Liabilities relating to finance lease equipment of the energy conservation projects amounted to RMB27,035,000.

The total amount of bank loans owed by the Group's overseas companies as at 30 June 2010 was US\$142,349,000 (equivalent to RMB966,677,000), comprising credit loans of US\$39,600,000 (equivalent to RMB268,920,000) and guaranteed loans of US\$102,749,000 (equivalent to RMB697,757,000).

The Group has fulfilled all covenants under the remaining loan agreements. Outstanding borrowings as at 30 June 2010 are analysed as follows:

	Maturity of contracted borrowings outstanding as at 30 June 2010				Total
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
	<i>(RMB'000)</i>				
Borrowings					
Corporate bank borrowings (denominated in US\$)	491,219	364,369	239,844	—	1,095,432
Borrowings from Jin Jiang International	—	—	901,563*	—	901,563
Finance lease liabilities	1,435	1,519	5,206	18,875	27,035
Total	492,654	365,888	1,146,613	18,875	2,024,030

* These borrowings carry a fixed interest rate of 4.62%. All the other borrowings carry interests charged at floating rates.

Treasury Management

The Group had strong cash flow, with cash and cash equivalents as at 30 June 2010 and 31 December 2009 amounting to approximately RMB1,395,864,000 and RMB1,460,381,000, respectively.

Interest Rate Risk Management

Jin Jiang International Finance, a subsidiary of the Company, acts as a non-bank financial institution within the Group. In order to centralise cash resources and improve the efficiency of fund applications, the subsidiaries, jointly controlled entities and associates of the Company deposit as much of their cash as possible in the accounts held with Jin Jiang International Finance and borrow from Jin Jiang International Finance as first priority for financing requirements. As a result, the Group's interest expenses of external bank borrowings have decreased.

During the Reporting Period, the Group was not subject to any exposure to significant fluctuation in exchange rate nor was it engaged in any hedging activities. The Group will actively consider the use of relevant financial instruments to manage interest rate risks and currency exchange rate risks in line with its business development.

Available-for-sale Financial Assets

Available-for-sale financial assets held by the Group included 13,148,849 shares in Avic Real Estate (000043.SZ), 130,828,701 shares in Changjiang Securities (000783.SZ) and 921,610 shares in Bank of Communications (601328.SH) held by a majority owned subsidiary of the Group, Jin Jiang Hotels Development.

Human Resources

As at 30 June 2010, the Group (excluding newly added overseas hotels) had approximately 21,100 employees, representing an increase of approximately 8.2% against the same period last year. Employee benefit expense (excluding newly added overseas hotels) during the Reporting Period increased by approximately RMB93,481,000 or 18.2% against the same period of 2009. The additional employee benefit expense associated with the inclusion of IHR Group in the consolidated financial statements for the period from 18 March 2010 (date of acquisition of IHR Group) to 30 June 2010 amounted to approximately RMB64,235,000. Employee benefit expense for existing employees comprises basic salary, discretionary bonus and social security contributions. No share option scheme has been set up by the Group so far. Remuneration for the Company's employees was determined on the basis of the qualifications, experience and contributions of individual employees.

Corporate Strategies and Outlook for Future Development

The Group has implemented diversified strategies to sustain long-term development, which include the strategic redeployment of hotel assets, expansion of Budget Hotels, upgrading of Landmark Hotels, brand enhancement strategy, strengthening of hotel management standards and reinforcing market leadership. Through the assets swap with Jin Jiang Hotels Development, the Group has further rationalised its business structure which is focused on Star-rated hotels and secured support for its future business development in various aspects.

Since the beginning of the second quarter of 2010, the business of the Group's high-end Star-rated hotels had shown signs of gradual recovery with notable improvements in Occupancy Rate. Hotels in all categories had reported a significant year-on-year growth in average RevPAR, especially after the opening of the Shanghai World Expo 2010. The continuation of the Shanghai World Expo 2010 will attract increasing attention, while the Group will seek to showcase its superior brand image amid the success of this spectacular and memorable event, seizing every business opportunity to maximise the Expo effect to its benefit.

The Group is the leading hotel investor cum operator in China. With the benefit of its competitive advantages in hotel ownership and management, the Group is well-positioned to strengthen control over its hotels while realising

potential value growth for its hotel properties. The Group will enhance future profitability through the redeployment of funds to rationalise the distribution and network of its hotels.

The Group will be committed to improving its management standards and core competitiveness and increasing its brand influence in the international hotel market by bringing into full play the synergies of its international mergers and acquisitions and making long-term plans with reference to the expertise and experience of its foreign partners.

The Group will fully leverage its asset reorganisation completed during the Reporting Period to integrate its business structures and improve its operating systems, seeking to resolve issues in intra-group competition and connected transactions originating from its historical set-up as well as to cut tax expenses. We will further enhance our core competitiveness in the industry and generally improve our corporate image by building a concise and efficient management structure that befits a listed company, improving our corporate governance structure and reducing management costs.

The Company entered into a share transfer agreement with its controlling shareholder Jin Jiang International on 13 August 2010 to acquire equity interests in Jin Jiang Investment and Jin Jiang Travel. The cash consideration for the acquisition will be funded by internal resources of the Company and financing. Assuming successful completion of the acquisition, the Company will become the controlling shareholder of these two companies, which will help to build a listed flagship platform and extend its hotel and tourism business chain, foster synergies in operation and explore new business models.

The Group will continue to strengthen its six major platforms, namely information, finance, purchasing, marketing, human resources and management systems. Innovations will be explored in six aspects, namely business models, hotel networks, asset allocation, institutions and systems, management and corporate culture. Core competitive advantages of Jin Jiang Hotels will be enhanced in terms of brand building, networking, human resources and management systems, so that it will develop into a leading hotel operator and manager in China with international competitive advantages.

(ii) For the year ended 31 December 2009

The following is the management discussion and analysis extracted from the 2009 annual report of the Company.

Business Review

The global financial tsunami took further toll on the world economy in 2009, while the tourism industry suffered from the negative impact of the Influenza A (H1N1) pandemic. In Shanghai, over-supply of hotel rooms became a growing concern for the hotel industry as the number of new hotel rooms continued to

grow while inbound tourist population of Shanghai continued to decline. The combined effect of these factors has made the year of 2009 one of the most difficult years for the hotel industry in many years. To address the adverse conditions facing the hotel industry under the financial tsunami, the Company formulated many measures with the primary aim of lowering costs and enhancing service quality, such as the compilation of a guide for hotel operations under the financial crisis, which gave directions to member hotels to work better on revenue growth, cost savings and risk control; the introduction of the hotel operation and management handbook with the aim to improve the quality of the hotels; the introduction of a central procurement system to reduce operating costs; and the imposition of stronger marketing efforts in hotel accommodation as well as food and beverage etc. We strived to mitigate the impact of the financial tsunami by diversifying revenue sources and realising cost savings.

Due to a complete and diversified portfolio of assets, sound operational management and effective cost control measures of the Group, the size of the Group's business continued to expand and brand influence, network, management system and human resources accomplished new benchmarks. Sales revenue of the Group for 2009 amounted to approximately RMB3,320,723,000, representing a 2.4% decrease against the previous year. Operating profit of the Group was approximately RMB341,017,000, representing a 31.8% decrease against the previous year. Profit attributable to the shareholders of the Company amounted to RMB118,869,000, representing a 56.0% decrease against the previous year. The decline in operating profit and profit attributable to the shareholders of the Company was mainly attributable to the substantial decline in room revenue generated from Star-rated hotels.

As at 31 December 2009, the Group had 546 hotels in operation or under development, with nearly 90,000 guest rooms, covering 137 cities in 31 provinces, autonomous regions and municipalities in the PRC. The Group remained the leading hotel groups in the PRC in terms of the number of hotel rooms. According to the latest ranking of global hotel groups announced by the HOTELS Magazine (the official publication of The International Hotel & Restaurant Association) in June 2009, the Group ranked 13th in the world in terms of the number of hotel rooms.

In order to distinguish more clearly the business and asset structure of the Group, as well as to further enhance its overall operational efficiency, an intra-group reorganization was carried out during the Reporting Period. The 71.225% equity interest in Jin Jiang Inn, 80% equity interest in Jin Jiang Hotel Investment and 99% equity interest in Da Hua Hotel held by the Company and the 1% equity interest in Da Hua Hotel held by Jin Jiang Hotel Company Limited, a subsidiary of the Company, were transferred to Jin Jiang Hotels Development for a total consideration of RMB2,728,248,000. On the other hand, the Company acquired from Jin Jiang Hotels Development all of the assets and liabilities of Jin Jiang Hotels Development's branch, New Asia Hotel, and all of the assets and liabilities of Jin Jiang Hotels Development's branch, Metropole Hotel, 100% interest in

Management College, 99% equity interest in Jin Jiang Hotel Management, 66.67% equity interest in Sofitel Hyland, 65% equity interest in Jian Guo Hotel Co., Ltd., 50% equity interest in Jin Jiang Tomson Hotel, 50% equity interest in Wuhan Jin Jiang, 50% equity interest in Thayer Jin Jiang Interactive Company, 40% equity interest in Yangtze Hotel and 15% equity interest in Wenzhou Dynasty Hotel Company Limited; and from Min Hang Hotel, a subsidiary of Jin Jiang Hotels Development, the 1% equity interest in Jin Jiang Hotel Management for a total consideration of RMB3,071,037,000. The reorganisation has been approved by the respective boards of directors of the Company and Jin Jiang Hotels Development and by the general meeting of Jin Jiang Hotels Development. On 29 January 2010, the reorganisation was conditionally approved by the Review Committee for Acquisitions and Reorganisations of Listed Companies under the China Securities Regulatory Commission (“CSRC”). The final approval document of CSRC has not yet been received by Jin Jiang Hotels Development as at the date of publication of this report.

In order to capture opportunities in international acquisitions and realise breakthroughs in overseas business networks and multinational operations in line with its development strategy, the Group established Hotel Acquisition Company, LLC (“HAC”) with Thayer Lodging Group, Inc. (“Thayer Group”), a company with proven experience in investments. On 18 December 2009, HAC entered into a merger agreement with IHR Group to acquire the entire equity interests in IHR Group at a price of US\$2.25 per share. Following the completion of the acquisition, IHR Group would become a wholly-owned subsidiary of HAC. The transaction has been approved by the relevant PRC government authorities and the relevant securities regulatory authorities in the United States. The transaction was approved by the shareholders of IHR Group at the general meeting of IHR Group held on 11 March 2010. The transaction was completed on 18 March 2010. Following the completion, the Company indirectly owns a 50% equity interest in IHR Group through HAC.

On 1 April 2010, Jin Jiang Hotels (HK) entered into a hotel management joint venture agreement with Interstate Europe S.A.R.L., an indirect wholly-owned subsidiary of IHR Group, in respect of the establishment of a joint venture hotel management company. On the same day, the Company entered into: (i) an equity investment management company joint venture contract with Thayer International Capital LLC, a company controlled by or affiliated with Thayer Group; (ii) a non-legally binding industrial fund memorandum with Thayer Group in respect of the proposed joint establishment of a fund; and (iii) a training plan memorandum with IHR Group and Thayer Group in respect of a talent training.

Star-Rated Hotel Operation

Star-rated hotel operation is the major source of revenue for the Group and Shanghai is the base of the Group’s business where over 80% of our self-managed Star-rated hotels are located. The average Occupancy Rate and ADR of Star-

rated hotels in Shanghai declined in varying degrees as the number of inbound foreign visitors (including visitors from Hong Kong, Macau and Taiwan) to Shanghai during the Reporting Period decreased while market competition continued to intensify with the rapidly growing supply of luxury Star-rated hotels in Shanghai. During the Reporting Period, Star-rated hotels contributed approximately RMB1,881,491,000 to the Group's revenue, representing a 18.0% decrease against the previous year.

Comparison between the performance of the Group's Star-rated hotels and other Star-rated hotels in Shanghai is set out below:

	2009				2008			
	The Group's Star-rated hotels located in Shanghai		Other Star-rated hotels in the Shanghai market		The Group's Star-rated hotels located in Shanghai		Other Star-rated hotels in the Shanghai market	
	<i>Average</i>	<i>Average</i>	<i>Average</i>	<i>Average</i>	<i>Average</i>	<i>Average</i>	<i>Average</i>	
	<i>Occupancy</i>	<i>Room</i>	<i>Occupancy</i>	<i>Room</i>	<i>Occupancy</i>	<i>Room</i>	<i>Occupancy</i>	
	<i>Rate (%)</i>	<i>Rate (RMB)</i>	<i>Rate (%)</i>	<i>Rate (RMB)</i>	<i>Rate (%)</i>	<i>Rate (RMB)</i>	<i>Rate (%)</i>	
5-star hotels	47	807	53	1,010	57	989	60	1,233
4-star hotels	54	547	50	508	61	668	55	618
3-star hotels	46	333	47	297	58	366	52	324
2-star hotels	55	278	50	209	66	295	56	212

Notes: The statistics in the table above cover the following Star-rated hotels of the Group in Shanghai:

1. 5-star hotels: Jin Jiang Hotel, Huating Hotel & Towers, Jin Jiang Tower, Jin Jiang Tomson Hotel and Renaissance Yangtze Hotel;
2. 4-star hotels: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Galaxy Hotel, Rainbow Hotel, Shanghai Hotel and Sofitel Hyland;
3. 3-star hotels: Jin Jiang Pacific Hotel, New Asia Hotel, Metropole Hotel, Hua Ting Guest House, New Garden Hotel, Jinsha Hotel and Da Hua Hotel; and
4. 2-star hotels: East Asia Hotel, Nanjing Hotel and Min Hang Hotel.

The overall average Occupancy Rate of Star-rated hotels in Shanghai dropped from 55.4% in 2008 to 50.2% in 2009 and the average room rate dropped from RMB658 in 2008 to RMB563 in 2009, according to the statistics published by the Shanghai Municipal Tourism Administrative Commission.

It is estimated that Shanghai Peace Hotel Company Limited ("Peace Hotel") will commence soft operation before the 2010 Shanghai World Expo.

Y.M.C.A Hotel commenced soft operation in February 2010 as the first commercial hotel under the new brand name of “Marvel” after completion of its overall renovation work. Following the completion of the renovation, Y.M.C.A Hotel has 142 hotel rooms and a 24-hour restaurant.

Renovation of the guest rooms, corridors and the elevator hall at the North Tower of Jin Jiang Hotel was completed in mid April 2010, while renovation of the guest rooms on every floor, the executive lounge on the 40th floor and the 24-hour restaurant at the lobby at Jin Jiang Tower has been fully completed, while renovation work at the reception area of the lobby of Jin Jiang Tower will be completed by the end of April 2010. The renovation resulted in significant improvements in room facilities.

In line with the Group’s strategy to realign its hotel distribution in China, the Company entered into an equity interest transfer agreement with Xi’an Catering Company Limited on 16 October 2009 to acquire a 100% equity interest in West Capital International Hotel Company Limited at a consideration of approximately RMB139,000,000. The acquisition was completed on 31 October 2009 and the Company is planning to develop West Capital International Hotel Company Limited as the Group’s flagship hotel in Northwestern China.

During the Reporting Period, the Group transferred 35% and 10% of the equity interests it held in Shanghai Zhongya Hotel to Heng Rui (Shanghai) Investment Holding Limited and Shanghai Shenkai Investment Limited, respectively. After completion of the transfer, the Group no longer held any equity interest in Shanghai Zhongya Hotel. In addition, the Group entered into a share transfer agreement with Shanghai Sanhe Real Estate Company Limited on 28 January 2010 to transfer the 30% equity interest in Chengdu Jinhe held by the Company to Shanghai Sanhe Real Estate Company Limited at a consideration of RMB17,760,000. After completion of the transfer, the Group no longer held any equity interest in Chengdu Jinhe.

Jin Jiang Inn Budget Hotels

Jin Jiang Inn Budget Hotels is a main focus of the Group’s business development. The business of Jin Jiang Inn Budget Hotels is mainly comprised of the operation of Jin Jiang Inn Budget Hotels on leased properties, the grant of franchises of the brand of Jin Jiang Inn to third party hotel owners and the development of budget hotels on the Group’s own properties.

During the Reporting Period, Jin Jiang Inn Budget Hotels reported fast growth in turnover, contributing approximately RMB1,177,257,000 to the Group’s revenue, representing a 19.7% year-on-year growth and accounting for 35.5% of the Group’s turnover. Initial and ongoing franchise fees income amounted to approximately RMB73,390,000, representing a 17.5% year-on-year growth.

In 2009, Jin Jiang Inn entered into new agreements for the development of 21 self-managed hotels and 58 franchised hotels. As at the end of 2009, there were a total of 439 Jin Jiang Inn Budget Hotels either in operation or under development (including 19 Bestay Hotels Express), offering an aggregate of over 56,000 guest rooms. During the Reporting Period, 93 new Jin Jiang Inn Budget Hotels commenced operations, including 29 self-managed hotels and 64 franchised budget hotels. As at the end of 2009, there were 333 Jin Jiang Inn Budget Hotels in operation.

As at 31 December 2009, Jin Jiang Inn Budget Hotel's network covered 118 cities and towns in 30 provinces, autonomous regions or municipalities, including 195 budget hotels in the Yangtze River Delta region accounting for approximately 44% of the total number of Jin Jiang Inn Budget Hotels. There were 85 and 32 Jin Jiang Inn Budget Hotels in Shanghai and Beijing respectively, which further reinforced the strong foundation of the Group in these two leading regional centres of China. The Jin Jiang Inn Budget Hotels continued to focus its expansion in the eastern regions, cities in the central regions and key provinces and municipalities of China, and worked on ensuring rapid and sound development of the projects by taking measures such as further standardising the implementation procedures of project development and strengthening the quality control of project development. In addition, the Jin Jiang Inn Budget Hotel's network will be gradually expanding into the Pearl River Delta region, the Bohai gulf area and other secondary cities in China. The weighting of franchised hotels further increased to 286 franchised hotels in operation or under development, accounting for 65.1% of the total number of Jiang Jiang Inn Budget Hotels.

As part of its ongoing efforts in brand building and promotion, Jin Jiang Inn launched a series of promotional campaign under the theme of "A Comfortable Chinese New Year: healthy and cost-saving" (舒適中國年、健康又省錢) during the Reporting Period, featuring a "Sleep with Comfort Programme" (舒適睡眠計劃). Our brand differentiation was further highlighted with exposure in some leading print media as well as mobile media. A string of marketing activities tailored for members under different themes were launched in line with a more market-oriented sales strategy, resulting in year-on-year growth in members' spending in a market overshadowed by the financial tsunami.

During the Reporting Period, Jin Jiang Inn conducted optimisation measures and designs for its operating models and business processes and identified the general direction and specific tasks for business transformation in the coming years. Planning has been devised for information system development over the next 3 to 5 years, which will help to optimise and integrate the management structure and management processes of Jin Jiang Inn. The upgrading and optimisation of the hotel reception management system (PMS) and the central reservation system (CRS) has been further advanced, while the website of Jin Jiang Inn has also been revamped and upgraded.

During the Reporting Period, the construction of the new Jin Jiang Inn paging centre providing 250 seats and supporting 1,000 outlets was basically completed. It is set to become an advanced information platform claiming leadership in the industry and providing support for the enhancement of customer base management. Efforts were also being made to advance the enterprise resource management information system integrating finance, procurement and human resources, which would enhance support for the Company's principal operations and enable management of 1,000 outlets and a multitude of brands, paving the way for higher-level development into an internationalised brand management company.

Jin Jiang Inn has been actively exploring new brand development. In March 2009, it officially launched Bestay Hotel Express, a new member of the family of budget hotels featuring more convenience and at more affordable prices. The overall design of Bestay Hotel Express is more modernised and simplistic, with more compact space design and layout and an overall feeling of ease and harmony. With the strong support of the central support system of Jin Jiang Inn, Bestay Hotel Express will pursue development by way of both direct operation and franchising. A dedicated nationwide reservation hotline (4008208999) and a website for online reservation (www.bestay.com.cn) have already been launched. As at 31 December 2009, there were 19 Bestay Hotel Express projects, of which 5 have been opened for business. The current operating conditions are sound, with good prospects for development.

Before the date of publication of this report, the trademark "Jin Jiang Inn" received the "Famous Brand in Shanghai" award from Shanghai Administration of Industry and Commerce, and received the "Well-known Trademark" award from the State Administration for Industry and Commerce of China.

Star-rated Hotel Management

As at 31 December 2009, Jin Jiang Hotel Management managed 103 Star-rated hotels with over 30,000 guest rooms, spreading across 53 cities in 23 provinces, autonomous regions and municipalities in China, of which 73 hotels are owned by third parties but managed by the Group.

A new brand in commercial hotel operations, known as "Marvel", was launched in January 2010 in accordance with the Group's strategic framework scheme for the development of the Jin Jiang Hotel brand, taking advantage of the renovation of Y.M.C.A Hotel. "Marvel" aims to meet individual requirements of young and middle-aged business travelers by providing neat, fashionable and personalized guest rooms that reflect leisure lifestyle even amid dynamic business schedules. In line with the fundamental requirements of business travelers, the 4B (Bed, Bathroom, Breakfast and Business) feature is a major highlight of this product.

The Group further enhanced its efforts in the development of hotel management system and compiled a new management handbook embodying development results of the internationalisation of the hotel management systems, which was well-received by the member hotels during training and promotion. The Jin Jiang VIP programme was extended to 30 Star-rated hotels under the Group during the Reporting Period, with a total enrollment of over 25,000 members. Strategic partnerships have also been established with China Southern Airlines, China Eastern Airlines, Shanghai Airlines, Shenzhen Airlines and Hainan Airlines, etc..

During the Reporting Period, Jin Jiang Hotel Management entered into an agreement on priority partnership with American Express, the world's largest travelling management company. Moreover, Jin Jiang Hotel Management has, during the Reporting Period, conducted operating audit on over half of the operating member hotels, supervising and supporting the member hotels to improve the quality of their operations and services.

For online sales, development of the Jin Jiang Central Reservation System (JREZ) continued with efforts to expand channels for centralised reservations. Bookings for over 83,000 room nights were received during the Reporting Period. Referrals through the international distribution system (IDS) and the global distribution system (GDS) accounted for 69% of all patrons.

The Group has set up the "800" and "400" toll-free reservation hotlines to provide ease of reservation and strived to improve the experience of telephone reservation for patrons. The reservation functions of www.jinjianghotels.com, the company website of Jin Jiang Hotel Management, are being updated from time to time. New marketing activities are being launched to attract more patrons, while the establishment of our global sales office is also progressing.

Food and Restaurants Operation

The Group's various brands of restaurant chains held through Jin Jiang Hotels Development continued to enjoy stable growth in 2009. As at the end of 2009, Shanghai KFC had a total of 246 outlets, enjoying steady growth in revenue and profit, maintaining its leading position in Shanghai's fast food industry. New Asia Snacks had 57 outlets. Shanghai Yoshinoya Company Limited had 20 outlets. Jing An Bakery had 69 outlets. Chinese Story operated 2 restaurants in Shanghai and Wuhan, respectively.

Catering Investment, a subsidiary of the Company, completed the acquisition of a 25% equity interest in New Asia Café de Coral in March 2009. Upon the completion of the acquisition of such equity interest, Catering Investment held a 75% equity interest in New Asia Café de Coral, which was incorporated in the consolidated financial statements.

Jin Jiang Hotels Development, a subsidiary of the Company, completed the transfer of a 7% equity interest in Shanghai KFC in April 2009. Upon the completion of the transfer, the percentage of equity interest in Shanghai KFC held by Jin Jiang Hotels Development was changed to 42%.

In May 2009, Jin Jiang Hotels (HK), a subsidiary of the Company, purchased from Jin Jiang International (HK) the entire equity interest in Jing An Holding at a cash consideration of RMB15,350,000. Registration of particulars with relevant authorities was completed in September 2009. Jin An Holding owns a 70% equity interest in Jing An Bakery.

In November 2009, Jin Jiang Hotels (HK) entered into a shareholders' agreement on capital increase of Jin An Holding with China Bread Investments Limited ("Pride BVI"), China Bakery Group Limited ("CHP BVI") and JJ Bakery Holdings Limited ("Staff BVI"). Upon completion of the increase in capital in December 2009, Jin Jiang Hotels (HK), Pride BVI, CHP BVI and Staff BVI are respectively interested in 40%, 30%, 20% and 10% equity interest in Jing An Holding.

Information Technology

The Group continued to strengthen its construction and input in the development of information systems in 2009, as it persisted in enhancing management standards and customer satisfaction through higher levels of informatisation. The core competitiveness at the levels of both the headquarter and the member hotels has been significantly improved as a result.

During the Reporting Period, the Group's five major information management systems, namely the Jin Jiang Hotels central reservation system (JREZ), Jin Jiang Hotels frequent patronage system (JJP), Jin Jiang Hotels central procurement system, Jin Jiang member hotel management support system and Jin Jiang Hotels mailing system, had been fully developed and put to extensive application to provide standardised management and online support for member hotels. The Jin Jiang Hotels management support system (JHMSS), a database platform serving management teams of the member hotels, expanded the contents of its database in response to the needs of hotel management in real-life situations and provides the general manager and managers at intermediate levels with information on nearly 1,000 management systems (such as the Jin Jiang core quality standards and work guidance opinions) and other dynamic management information. The functions of the Jin Jiang central procurement platform have been improved through constant upgrades and over 1,000 merchandise items are now available for online trading as more member hotels are engaged in online purchasing.

In connection with information systems development, the Group persisted in the principle of driving standardisation and centralisation on the one hand while encouraging member hotels to employ new technologies on the other hand. Centralised standards are being implemented for major systems (such as PMS,

communications and networks) to ensure that the Group is technically and organisationally ready for further centralisation in information systems. Member hotels are encouraged to employ advanced information system when they carry out renovations or new constructions, with a view to enhancing customer satisfaction.

Financial Review

Turnover

The Group's turnover for the year ended 31 December 2009 as compared with the same period in 2008 is set out as follows:

	Year ended 31 December 2009		Year ended 31 December 2008	
	<i>RMB in millions</i>	<i>As a percentage of turnover</i>	<i>RMB in millions</i>	<i>As a percentage of turnover</i>
Star-rated hotel operation	1,881.4	56.6%	2,294.9	67.4%
Jin Jiang Inn Budget Hotels	1,177.2	35.5%	983.2	28.9%
Star-rated hotel management	48.4	1.5%	50.5	1.5%
Food and restaurants	186.5	5.6%	44.7	1.3%
Others	27.2	0.8%	29.5	0.9%
Total	<u>3,320.7</u>	<u>100.0%</u>	<u>3,402.8</u>	<u>100.0%</u>

(I) Star-rated Hotel Operation

The following table sets out the amount and percentage of contributions from different businesses to the Group's turnover in Star-rated hotel operation for the year ended 31 December 2009, together with comparatives figures for 2008:

	Year ended 31 December 2009		Year ended 31 December 2008	
	<i>RMB in millions</i>	<i>As a percentage of turnover</i>	<i>RMB in millions</i>	<i>As a percentage of turnover</i>
— Accommodation revenue	875.0	46.5%	1,208.1	52.6%
— Food and beverage sales	703.2	37.4%	769.2	33.5%
— Rendering of ancillary services	104.3	5.5%	128.6	5.6%
— Rental revenue	163.4	8.7%	140.5	6.2%
— Sales of hotel supplies	35.5	1.9%	48.5	2.1%
Total	<u>1,881.4</u>	<u>100.0%</u>	<u>2,294.9</u>	<u>100.0%</u>

Accommodation revenue

Accommodation revenue was mainly determined by the number of Available Rooms, Occupancy Rate and ADR of the Group's hotels. The accommodation revenue of Star-rated hotels operation for the Reporting Period was approximately RMB875,026,000, representing a decrease of 27.6% compared to the same period in 2008. The main factors which affected accommodation revenue were as follows:

1. The continued downturn of the inbound tourism market owing to the external economic environment and the impact of the Influenza A (H1N1) pandemic, as reflected in a year-on-year decrease of 1.8% in the number of inbound visitors to Shanghai according to statistics published by the Shanghai Municipal Tourism Administrative Commission, coupled with the continued increase in the supply of hotel rooms resulting in an aggravated over-supply situation, has duly affected the various incomes of Star-rated hotel operations.
2. High-end Star-rated hotels, which relied mainly on foreign visitors for patronage, reported a year-on-year decline in RevPAR ranging from 25% to 30%, while RevPAR of lower-end Star-rated hotels declined by around 20% to 30%.
3. Wuhan Jin Jiang reported turnover of approximately RMB58,816,000 representing a year-on-year growth of 32%, which included accommodation revenue of approximately RMB37,918,000 representing a year-on-year growth of 33%, mainly attributable to an improvement in occupancy rate by 17.1%, as the hotel moved into a period of business maturity following the commencement period.
4. Kunming Jin Jiang Hotel Company Limited ("Kunming Jin Jiang") reported slight improvement in results with a year-on-year growth of 0.9% in accommodation revenue.

Food and beverage sales

The Group's food and beverage sales primarily comprised catering for weddings and conferences, room services for guests and other sales in bars and restaurants in hotels. During the Reporting Period, food and beverage sales were directly affected by the decline in occupancy rate, while corporate customers tended to cut the budgets for their annual dinner functions or even cancel such events all together in the aftermath of the financial crisis. Although the market for hotel wedding banquets was red-hot, it was not enough to offset the overall decline in revenue.

As a result, the revenue from food and beverage sales at Star-rated hotels decreased 8.6% to approximately RMB703,248,000, as compared to the same period in 2008.

Rendering of ancillary services

The revenue from rendering of ancillary services mainly represents the turnover generated from gift shop, entertainment, laundry services and other guest services. During the Reporting Period, the revenue from ancillary services decreased by approximately RMB24,231,000 or approximately 18.8% as compared to the same period in 2008, mainly attributable to lower occupancy rate.

Rental revenue

Rental revenue was mainly generated from the leasing of space at the Group's hotels for shops, showroom and other purposes. Rental revenue increased by approximately RMB22,868,000 or 16.3% as compared to the same period in 2008. The increase was mainly attributable to the lease of the basement hall of Y.M.C.A Hotel to the Agricultural Bank of China from November 2008, resulting in an increase of rental income by RMB5,893,000. The compensation received during the renovation period of Peace Palace Hotel, which has been leased to Swatch, increased by approximately RMB16,087,000 or 64%, year-on-year.

Sales of hotel supplies

Turnover from guest amenities and hotel supplies decreased by approximately RMB13,000,000, or approximately 26.8% as compared to the same period in 2008. The decrease was mainly attributable to the decline in the operating results of Star-rated hotels contracted and managed by Jin Jiang Hotel Management and the decrease in hotel supplies required as a result.

(II) Jin Jiang Inn Budget Hotels

ADR and occupancy rate of Jin Jiang Inn Budget Hotels were relatively stable as compared to Star-rated hotels, as patrons of Jin Jiang Inn Budget Hotels were mainly domestic travelers who were less affected by the financial crisis. Turnover of Jin Jiang Inn Budget Hotels during the Reporting Period amounted to approximately RMB1,177,257,000, an increase of approximately RMB194,077,000 or an approximately 19.7% year-on-year growth. The increase was mainly attributable to the increase in Available Rooms from the 29 new directly-managed Jin Jiang Inn Budget Hotels which opened during the Reporting Period as well as the increase in initial franchise

fees and ongoing franchise fees. Initial and ongoing franchise fees income amounted to approximately RMB73,390,000, representing a year-on-year growth of 17.5%.

(III) Star-rated Hotel Management

The external sales revenue of Star-rated hotel management for 2009 amounted to approximately RMB48,361,000, representing a decrease of approximately 4.3% over the previous year, attributable mainly to the decline in the operating results of star-rated hotels outside the Group managed by Jin Jiang Hotel Management.

(IV) Food and Restaurant Operation and Others

Revenue from the food and restaurant operation is mainly derived from the fast food chain operations and moon cake production business, namely New Asia Café de Coral, Chinese Story and Shanghai New Asia Food Company Limited. During the Reporting Period, revenue from the segment of food and restaurant operation amounted to approximately RMB186,463,000, representing an increase by approximately 317.4% against the same period in 2008. The growth during the Reporting Period was attributable mainly to the consolidation of New Asia Café de Coral with effect from March 2009, resulting in an additional income of approximately RMB139,542,000.

Moreover, the Group also engaged in other businesses, including the provision of intra-group financial services through Jin Jiang International Finance and the operation of training schools. During the Reporting Period, revenue from such other businesses amounted to approximately RMB27,151,000, a decrease of approximately 7.9% as compared to the same period in 2008.

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB2,518,113,000, a year-on-year increase of approximately 7.0%. The increase was mainly attributable to increase in rental expenses, labour costs and depreciation costs as a result of the expansion of Jin Jiang Inn Budget Hotels and the increase in chain outlets, while utilities and low-value consumables decreased in tandem with lower occupancy rates. Meanwhile, the Group continued to leverage its advantage in centralised procurement and secured further price reductions for over 600 items in several stages, on the basis of lower purchase costs for multiple centralised procurements. Moreover, the Group made strong efforts to promote the application of new energy conservation technologies, such as the application of geo-thermal heat pump systems at 5 hotels that resulted in savings of approximately RMB2,940,000 in utilities and equipment maintenance

expenses fees; as well as energy conservation technology upgrade for liquid booster pumps of central air-conditioning systems at 3 hotels with a potential energy conservation ratio of approximately 30%.

Gross Profit

For the above reasons, the Group recorded a gross profit of approximately RMB802,610,000 for the Reporting Period, a decrease of approximately RMB246,273,000 or approximately 23.5% compared to the same period in 2008.

Other Income

Other income for the Reporting Period, including dividend income received from non-listed equity investments in KFCs in Suzhou, Wuxi and Hangzhou and listed equity investments in Changjiang Securities Company Limited, amounted to approximately RMB55,508,000 (same period in 2008: approximately RMB95,514,000). During the Reporting Period, the Group generated a gain of approximately RMB75,619,000 (same period in 2008: approximately RMB46,432,000) from the disposal of shares in Shanghai Pudong Development Bank Co., Ltd. (“SPD Bank”), gains of approximately RMB19,293,400 from the disposal of China Quanjude (Group) Co. Ltd. (“Quanjude”) shares by subsidiary Jin Jiang Hotels Development, and gains of RMB100,808,000 and MB62,932,000 from the disposal of a 45% equity interest in Shanghai Zhongya Hotel and a 7% equity interest in Shanghai KFC, respectively. As a result, other income for the Reporting Period increased by approximately RMB102,724,000 or 42.5% over the previous year.

Selling and Marketing Expenses

Selling and marketing expenses for the Reporting Period, comprising primarily labour costs, travel agents commission and advertising expenses, amounted to approximately RMB140,920,000 (same period in 2008: approximately RMB159,685,000), representing a year-on-year decrease of approximately 11.8%.

Administrative Expenses

Administrative expenses for the Reporting Period increased by approximately 6.3% to approximately RMB640,080,000 (same period in 2008: approximately RMB602,207,000), mainly attributable to the increase in operating administrative expenses during 2009 and the second half of 2008 for the new outlets of Jin Jiang Inn Budget Hotels, coupled with reductions in travelling expenses, office expenses, freight and miscellaneous expenses and appropriations of third-party management fees in line with lower operating results of Star-rated hotels against the previous year.

Other Expenses

Other expenses for the Reporting Period, consisting primarily of bank charges and losses from the disposal of property, plant and equipment, decreased by approximately 12.1% to approximately RMB24,952,000 (same period in 2008: approximately RMB28,396,000). The decline was mainly attributable to reduced credit card commission in line with lower turnover in hotel operations, resulting in less bank charges.

Finance Cost

Finance cost comprises mainly interest expenses in respect of the Group's bank borrowings. During the Reporting Period, finance cost decreased by approximately 20.8% to approximately RMB35,074,000 (same period in 2008: approximately RMB44,308,000), mainly as a result of lower borrowing interest rates.

Share of Results of Associates

Results of associates primarily include results of the Group's associates Shanghai KFC and Yangtze Hotel. Share of results of associates for the Reporting Period decreased by approximately 10.1% to approximately RMB65,376,000 (same period in 2008: approximately RMB72,760,000). The decline was mainly attributable to the decrease in share of results from Shanghai KFC and Yangtze Hotel by approximately RMB5,596,000 and RMB14,946,000 respectively, as compared to the previous year.

Taxation

The effective tax rate for the Reporting Period was approximately 23.3% (same period in 2008: approximately 18.1%). The higher effective tax rate was mainly attributable to the increase in unrecognised tax losses.

Profit for the Year

As a result of the factors described above, profit for the Reporting Period attributable to shareholders of the Company was approximately RMB118,869,000 (same period in 2008: approximately RMB270,255,000), decreased by approximately RMB151,386,000 or approximately 56.0%.

Pledge of Assets

As at 31 December 2009, finance lease equipment of the Group with a carrying amount of RMB27,321,000 was pledged as security for finance lease liabilities of the Group with a carrying amount of RMB27,729,000, and a deposit with a carrying amount of RMB299,306,000 was pledged for borrowings to a subsidiary of the Company with a carrying amount of US\$39,600,000 (equivalent

to RMB270,397,000) (as at 31 December 2008, property of the Group with a carrying amount of RMB324,038,000 was pledged to banks as security for bank borrowings of the Group with a carrying amount of RMB201,063,000).

Gearing Ratio

The gearing ratio (calculated as total borrowings divided by total assets) increased from approximately 5.2% as at 31 December 2008 to approximately 8.4% as at 31 December 2009.

Group Debts and Financial Conditions

During the Reporting Period, the Group entered into 4 loan agreements with 3 banks with a total amount of RMB447,710,000 and 5 entrusted loan agreements with related party Jin Jiang International with a total amount of RMB601,563,000. Liabilities relating to finance lease equipment of the energy conservation projects amounted to RMB27,729,000.

The Group has fulfilled all covenants under the remaining loan agreements. Outstanding borrowings as at 31 December 2009 are analysed as follows:

	Maturity of contracted borrowings outstanding at 31 December 2009				Total
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
	<i>(RMB'000)</i>				
Borrowings					
Corporate bank borrowings <i>(dominated in RMB)</i>	150,000	—	—	—	150,000
Corporate bank borrowings <i>(dominated in USD)</i>	270,397	—	27,313	—	297,710
Borrowings from Jin Jiang International	—	—	601,563	—	601,563
Finance lease liabilities	<u>1,391</u>	<u>1,482</u>	<u>5,044</u>	<u>19,812</u>	<u>27,729</u>
Total	<u>421,788</u>	<u>1,482</u>	<u>633,920</u>	<u>19,812</u>	<u>1,077,002</u>

Treasury Management

The Group had strong cash flow, with cash and cash equivalents as at 31 December 2009 and 31 December 2008 amounting to approximately RMB1,460,381,000 and approximately RMB1,644,962,000 respectively.

Interest Rate Risk Management

Jin Jiang International Finance, a subsidiary of the Company, acts as a non-bank financial institution within the Group. In order to centralise cash resources and improve the efficiency of fund applications, the subsidiaries, jointly controlled entities and associates of the Group deposit as much of their cash as

possible in the accounts with Jin Jiang International Finance and borrow from Jin Jiang International Finance as first priority for short-term financing requirements. As a result, the Group's interest expenses of external bank borrowings have decreased. The borrowing interest rates applicable to the Group are mostly charged at a 10% discount to the prevailing benchmark rate of the People's Bank of China, leading to a decrease in interest expenses for borrowings.

During the Reporting Period, the Group was not subject to any exposure to significant fluctuation in exchange rate nor was it engaged in any hedging activities. The Group will actively consider the use of relevant financial instruments to manage interest rate risks and currency exchange rate risks in line with its business development.

Available-for-sale Financial Assets

The Group will continue to dispose of its available-for-sale financial assets. During the Reporting Period, 4,559,985 shares in SPD Bank were disposed of, realising a gain from the disposal of available-for-sale financial assets of approximately RMB75,619,000. Net gain after deducting income tax expense and minority interests amounted to approximately RMB52,939,000. 617,039 shares in Quanjude were disposed of, realising a gain from the disposal of available-for-sale financial assets of approximately RMB19,293,000. Net gain after deducting income tax expense and minority interests amounted to approximately RMB7,767,000.

As at 31 December 2009, available-for-sale financial assets held by the Group comprised 13,148,849 shares in AVIC Real Estate Holding Company Limited (Stock code: 000043.SZ), and 130,828,701 shares in Changjiang Securities Company Limited (Stock code: 000783.SZ) and 801,400 shares in Bank of Communications Co., Ltd. (Stock code: 601328.SH) held by subsidiary Jin Jiang Hotels Development, etc.

Human Resources and Training

The Group runs a professional training school to provide professional training and nurture industry professionals, where education and training are based on the actual context of hotel management. The Company has set up the Les Roches Jin Jiang International Hotel Management College in partnership with GESHOTEL-Les Roches Swiss Hotel Association School of Hotel Management, which provides hotel managers and future hotel management with various types and levels of Star-rated hotel training courses. In 2009, the Management College expanded its enrollment for full-time students and broadened sources of trainees with the admission of 33 overseas students.

In relation to staff training, management and skill training was provided through Jin Jiang International Management School. The quality of management staff of our hotels was improved through short-term and medium-term training

courses for management staff at Star-rated hotels held during the year with a total enrollment of over 1,800 attendees. Over 20 skill training courses were held to improve the quality of our hotel services, with a total enrollment of over 1,000 attendees.

To cater to the ongoing expansion of its hotel chain, Jin Jiang Inn further improved its training network. An “internal trainer” team was established on a national basis to enhance the results of training at the outlets. In 2009, 11 training courses and 30 training sessions for management staff from budget hotels were organised, with a total enrollment of over 1,600 attendees. These training courses and sessions have provided solid assurance for the supply of talents to meet the needs of the Company’s rapid development. Outstanding graduates have been drafted into the management trainee team to receive specific training, so that expertise in various fields would be readily available when needed.

As at 31 December 2009, the Group had approximately 18,770 employees, which was about 0.3% less as compared with the previous year. Employee benefit expense increased by approximately RMB43,467,000 or 4.2% against 2008. The remuneration package for existing employees comprises basic salary, discretionary bonus and social security contributions. No share option scheme has been set up so far.

Social Responsibility

During the Reporting Period, the Group completed its process of corporate culture building and developed the core value of “harmony at home and hospitality for all” (人和錦江，禮傳天下), complemented by the mission of “optimising services for customers, pursuing mutual growth with employees, adding value for shareholders and committing to social responsibilities”.

The Group seeks to practice environmental protection in all aspects of its operations. Energy-saving technologies are being actively employed to advance the building of green hotels in an orderly fashion. During the Reporting Period, our branch company Jin Jiang Tower, subsidiaries Park Hotel, Galaxy Hotel, Rainbow Hotel, Shanghai Hotel, Cypress Hotel and jointly-controlled enterprise Jin Jiang Tomson Hotel were all named “Golden-Leaf Grade Green Tourist Hotels”, while our subsidiaries Hua Ting Guest House, New Asia Hotel, Da Hua Hotel, Min Hang Hotel, our jointly-controlled enterprise New Garden Hotel and managed hotels Jiu Long Hotel, Huiheng New Hotel and Pine City Hotel were named “Silver-Leaf Grade Green Tourist Hotels”.

The Group also regards the improvement of staff remuneration and welfare as its priority task. During the Reporting Period, a collective salary negotiation agreement was adopted by the general assembly of staff representatives of the Group, with a view to seeking improvements to staff remuneration under difficult business conditions caused by the financial crisis and the Influenza A (H1N1) pandemic. The Group has also introduced corporate annuities and supplemental provident funds at certain subsidiaries and contributed over RMB23 million to

such funds for the year on behalf of its employees. Meanwhile, we continued to purchase supplemental medical insurance for our staff covering nearly 10,000 employees, with 17 of them receiving insurance payments for substantial illness during the Reporting Period.

Energy Conservation

During the Reporting Period, the Group attained sound results in its implementation of measures for energy conservation and waste reduction. During the Reporting Period, the Group made strong efforts to promote the application of new technologies in energy conservation and strive for favourable policies. Geo-thermal pumps were installed at 5 hotels, namely Da Hua Hotel, Min Hang Hotel, Jinsha Hotel, New Garden Hotel and Cypress Hotel with an average energy cost saving ratio of over 10%, on top of waste reduction and space-saving effects. 3 hotels, namely Galaxy Hotel, Rainbow Hotel and Jin Jiang Tomson Hotel, pioneered in the energy conservation technology upgrade for liquid booster pumps of central air-conditioning systems, which could reduce energy consumption by approximately 30%. Moreover, 4 hotels, namely our subsidiaries Park Hotel, Cypress Hotel, Jinsha Hotel and our jointly controlled enterprise New Garden Hotel applied for and were granted government subsidies for energy conservation technology upgrade projects for buildings with a total amount of RMB4,200,000, providing favourable conditions for the further advancement of energy conservation technology upgrades.

Corporate Strategies and Outlook for Future Development

The Group has implemented diversified strategies to sustain long-term development, which include the strategic redeployment of hotel assets, expansion of budget hotels, upgrading of Landmark Hotels, brand enhancement strategy, strengthening of hotel management standards and reinforcing market leadership.

The Group is looking forward to new opportunities for development in 2010. We intend to speed up the development of our core industries and bring into full play the synergies arising from our international acquisitions to drive industrial upgrades. We will endeavour to enhance corporate values following the completion of the Group's reorganisation, while capitalising on opportunities presented by the World Expo to reap benefits in brand building as well as profitability. We will also continue to make further efforts in corporate culture building.

Although the global economy has been affected by the financial tsunami, gradual recovery of the hotel industry is anticipated as China's macro-economy has stabilised and resumed growth. The business of high-end Star-rated hotels of the Group has picked up since the first quarter of 2010, with significant improvements in occupancy rate. Especially in March, the increase of RevPAR of 4-star Hotels and 5-star Hotels has been over 20% on a year-on-year base.

Moreover, with the 2010 Shanghai World Expo approaching, the city is expected to attract increasing attention and hotel patronage is expected to grow as a result for the benefit of the Group, whose hotels are mostly located in Shanghai.

The World Expo is the largest and longest exhibition event hosted by Shanghai so far. While it is a fine opportunity for the Group to showcase its brand image and increase profits, it will also readily challenge and test the hospitality ability of the Group's hotels. The Group will address World Expo security as a top priority issue, using its best endeavours to fulfill its duties and ensure safety.

The Group will showcase its superb brand image amid the success and splendour of the memorable Shanghai World Expo by making preparations meticulously and offering dedicated services. We will also seek to maximise potential economic benefits coming our way through the World Expo.

The Group will also leverage the occasion of the World Expo to improve its brand building strategy and brand name structure underpinned by the primary brand and complemented by endorsed brands and independent brands, with a view to further strengthening its brand promotion.

The Group is the leading hotel investor cum operator in China. With the benefit of its competitive advantages in hotel ownership and management, the Group is well-positioned to strengthen control over its hotels while realising potential value growth for its hotel properties. The Group will enhance future profitability through the redeployment of funds to rationalise the distribution and network of its hotels.

The Group will be committed to improving its management standards and core competitiveness and increasing its brand influence in the international hotel market by bringing into full play the synergies of its international acquisitions and making long-term plans with reference to the expertise and experience of its foreign partners.

The Group will fully leverage its asset reorganisation completed during the Reporting Period to integrate its business structures and improve its operating systems, seeking to resolve issues in intra-group competition and connected transactions originating from its historical set-up as well as to cut tax expenses. We will further enhance our core competitiveness in the industry and generally improve our corporate image by building a concise and efficient management structure that befits a listed company, improving our corporate governance structure and reducing management costs.

The Group will continue to strengthen its six major platforms, namely information, finance, purchasing, marketing, human resources and management systems. Innovations will be explored in six aspects, namely business models, hotel networks, asset allocation, institutions and systems, management and corporate culture. Core competitive advantages of Jin Jiang Hotels will be

enhanced in terms of brand building, networking, human resources and management systems, so that it will develop into a leading hotel operator and manager in China with international competitive advantages.

(iii) For the year ended 31 December 2008

The following is the management discussion and analysis extracted from the 2008 annual report of the Company.

Review of Operations

In 2008, the gradual spread of the worldwide financial tsunami coupled with the several natural disasters which occurred in China caused relatively significant adverse impact on China's tourism and hotel industries. Notwithstanding Beijing's successful hosting of the Olympic Games during the year did bring about some benefits to certain of the Group's hotels in Beijing, the positive effect brought by the Olympic Games to the hotel industry as a whole was not as strong as expected. However, thanks to a complete and diversified portfolio of assets, sound operations management and effective cost control measures of the Group, the Company sustained stable development and ongoing expansion in its various businesses, including Star-rated hotel operations, Jin Jiang Inn Budget Hotels, Star-rated hotel management and food and restaurants, as well as accomplished new benchmarks in terms of brand influence, network, management system and human resources. The Company continued to report revenue growth in 2008, recording sales revenue of approximately RMB3,402,808,000, which represented a 6.4% increase over the previous year. The operating profit of the Company for the year decreased by 18.3% to approximately RMB500,230,000 (2007: RMB641,791,000); the profit attributable to equity holders of the Company decreased by 29.5% to RMB270,255,000 (2007: RMB383,417,000). The main factor of the decrease is the less gain from disposal of assets, including disposal of available-for-sale financial assets, disposal of an investment in Shanghai Jiu Long Hotel Co., Ltd. ("Jiu Long Hotel"), disposal of investment in associates and compensation on lease termination of a Jin Jiang Inn Budget Hotel (2008: RMB109,100,000; 2007: RMB291,589,000). Excluding the above factor, the operating profit increased by RMB40,928,000, or approximately 11.7%.

As at 31 December 2008, the Company had 465 hotels in operation or under development, with over 80,000 guest rooms, spreading across 120 cities in 31 provinces, autonomous regions and municipalities in China. The Group remained one of the leading hotel groups in the PRC in terms of the number of hotel rooms. According to the latest ranking of global hotel groups announced by the HOTELS Magazine (the official publication of The International Hotel & Restaurant Association) in July 2008, the Group ranked 17th in the world in terms of the number of hotel rooms.

Star-rated Hotel Operation

Star-rated hotel operation is one of the major sources of revenue for the Group and Shanghai is the base of the Group's business where over 80% of our self-managed Star-rated hotels are located. The average Occupancy Rate and ADR of our Star-rated hotels in Shanghai suffered a setback in varying degrees as the number of inbound foreign visitors (including visitors from Hong Kong, Macau and Taiwan) received by Shanghai in 2008 dropped 3.8% year-on-year to approximately 6.40 million, while market competition continued to intensify with the rapidly growing supply of luxury Star-rated hotels in Shanghai. During the year under review, Star-rated hotels contributed approximately RMB2,294,913,000 to the Group's revenue, dropped 4.4% year-on-year, and accounted for 67.4% of the Group's turnover.

Comparison between the performance of the Group's Star-rated hotels and other Star-rated hotels in the Shanghai market is set out below:

	2008				2007			
	The Group's Star-rated hotels in Shanghai		Other Star-rated hotels in Shanghai		The Group's Star-rated hotels in Shanghai		Other Star-rated hotels in Shanghai	
	<i>Average</i>	<i>Average</i>	<i>Average</i>	<i>Average</i>	<i>Average</i>	<i>Average</i>	<i>Average</i>	<i>Average</i>
	<i>Occupancy</i>	<i>room</i>	<i>Occupancy</i>	<i>room</i>	<i>Occupancy</i>	<i>room</i>	<i>Occupancy</i>	<i>room</i>
<i>Rate</i>	<i>rate</i>	<i>Rate</i>	<i>rate</i>	<i>Rate</i>	<i>rate</i>	<i>Rate</i>	<i>rate</i>	
<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	
5-star	57.1	989	59.9	1,233	67.7	1,006	68.2	1,336
4-star	61.0	668	55.2	618	71.6	664	63.5	648
3-star	58.2	366	52.0	324	65.9	347	56.9	326
2-star	65.7	295	55.6	212	71.2	289	57.4	212

Notes: The statistics in the table above cover the following Star-rated hotels of the Group in Shanghai:

1. 5-star hotels: Jin Jiang Hotel, Huating Hotel & Towers, Jin Jiang Tomson Inter-Continental Hotel and Renaissance Yangtze Hotel;
2. 4-star hotels: Park Hotel, Jian Guo Hotel Shanghai, Cypress Hotel, Holiday Inn Downtown Shanghai, Galaxy Hotel, Rainbow Hotel, Shanghai Hotel and Sofitel Hyland;
3. 3-star hotels: Jin Jiang Pacific Hotel, New Asia Hotel, Metropole Hotel, Hua Ting Guest House, New Garden Hotel, Jinsha Hotel, Da Hua Hotel; and
4. 2-star hotels: East Asia Hotel, Nanjing Hotel and Min Hang Hotel.

The overall Occupancy Rate of Star-rated hotels in Shanghai dropped from 61.5% in 2007 to 55.4% in 2008, according to the statistics published by Shanghai Municipal Tourism Administrative Commission. The average room rate for 2008 was RMB658, down from RMB668 for 2007. Despite the adverse market conditions causing the average Occupancy Rate of the Group's Star-rated

hotels in Shanghai to fall by a substantial portion, the average room rate was generally stable. During the year, turnover growth was reported by Kunlun Hotel, Park Hotel, Metropole Hotel and New Garden Hotel.

The overall refurbishment of Peace Hotel, which commenced during the first half of 2007, continued to progress as scheduled. The hotel is expected to complete renovation by the end of 2009 and re-open for business before the Shanghai World Expo begins.

Guest-room renovation at Jin Jiang Tower was basically completed, leading to notable improvements in the hardware facilities of the guest rooms.

Y.M.C.A Hotel has been under renovation, and the hotel is expected to complete renovation in the second half of 2009 and re-open for operation before the Shanghai World Expo begins.

In line with our strategy to realign the distribution of hotels, the Group disposed of its 9.445% equity interest in Jiu Long Hotel in 2008 to Shanghai Greenland Commercial (Group) Co., Ltd. Following the transfer, the Group no longer holds any interest in but retains the right to manage Jiu Long Hotel. Additionally, as of the latest practicable date prior to printing of this report, negotiations with an independent third party were underway in respect of the acquisition of a hotel in the north-western region of China.

Jin Jiang Inn Budget Hotels

Jin Jiang Inn Budget Hotels is a main focus of the Company's business development. The business of Jin Jiang Inn Budget Hotels comprises mainly the operation of Jin Jiang Inn Budget Hotels on leased properties, the grant of franchises of the brand of Jin Jiang Inn to third party hotel owners and the development of budget hotels on the Group's own properties.

Jin Jiang Inn Budget Hotels reported fast turnover growth during the year under review, contributing revenue of approximately RMB983,180,000 to the Group, representing a 46.0% growth over the previous year and accounting for 28.9% of the Group's turnover. Initial and ongoing franchise fees income amounted to approximately RMB62,467,000, representing an 80.8% growth over the previous year.

In 2008, Jin Jiang Inn entered into new agreements for the development of 15 self-managed budget hotels and 65 franchised budget hotels. As at 31 December 2008, there were a total of 360 Jin Jiang Inn Budget Hotels either in operation or under development (including 7 Bestay Hotels Express), offering an aggregate of over 48,000 guest rooms. During 2008, 80 new Jin Jiang Inn Budget Hotels commenced operations, including 26 self-managed hotels and 54 franchised budget hotels. As at 31 December 2008, there were 240 Jin Jiang Inn Budget Hotels in operation.

As at 31 December 2008, the Jin Jiang Inn Budget Hotel's network covered 98 cities in 29 provinces, autonomous regions or municipalities, including 169 budget hotels in the Yangtze River Delta region accounting for approximately 46.9% of the total number of Jin Jiang Inn Budget Hotels. There were 77 and 27 Jin Jiang Inn Budget Hotels in Shanghai and Beijing respectively, which further reinforced the strong foundation of the Group in these two leading regional centres of China. The Jin Jiang Inn Budget Hotels continued to focus its expansion in the regions, such as the eastern regions of China, cities in the central regions and key provinces and municipalities, as well as through the development of operating procedures to further standardize and strengthen the quality control of project development and other measures, to ensure rapid and sound development of the projects. In addition, the Jin Jiang Inn Budget Hotel's network will be gradually expanding into the Pearl River Delta region, the Bohai gulf area and other secondary cities in China. The weighting of franchised hotels further increased to 228 franchised hotels in operation or under development, accounting for 63.3% of the total number of Jiang Jiang Inn Budget Hotels.

During the year under review, Jin Jiang Inn Budget Hotels achieved further enhanced profitability, steadily rising operating revenue, growing corporate scale, reinforced brand and quality leadership, improved systems building and ongoing improvements in management standards. Facilitated by continuous efforts to enhance standardisation for construction works, construction costs were further reduced, with a more efficient project construction management and a faster completion rate. In line with a strong focus on quality enhancement and brand reputation, Jin Jiang Inn Budget Hotels completed the documentation of the "Brand Name Hardware Standards" to provide further standardization in the area.

Jin Jiang Inn Budget Hotels continued to invest in the building of management systems. Its human resources system was increasingly standardised and institutionalised, while the functions of the hotel reception management systems (PMS) were further enhanced through initiatives in information-based construction to serve as a centralised database and contribute to an optimised Jin Jiang Inn information management system. The franchise management system was also further improved to assure pro-active, extensive support for franchised hotels. The effect of assurance measures in supporting performance was further manifested. A platform for the purchase of supplies was built to provide convenience to outlets. The number of customers making reservation via Jin Jiang Inn's website also multiplied.

In addition, Jin Jiang Inn also increased its efforts in collaborating with external parties, such as the issuance of the "BoCom Jin Jiang Inn Credit Card" jointly with the Bank of Communications, which not only enhanced the reputation of Jin Jiang Inn, but also offered convenience to business travelers. Currently, over 250,000 joint membership cards have been issued. Jin Jiang Inn Budget Hotels entered into an overseas room reservation co-operation agreement with Japan Pacific Travel Company (日本太平洋旅遊度假公司), to enhance its

brand influence in the overseas market. The parties will join hands to process room reservation in 35 cities including Shanghai, Beijing, Guangzhou, etc. This marked an initial move of Jin Jiang Inn Budget Hotels to tap the overseas market.

The ancillary catering service of Jin Jiang Chef (錦江大廚) and Chef Two Cafe (星連心) (operated based on Hong Kong-style “tea” restaurant) achieved steady progress. Restaurant management was improved as we sought to enhance customer satisfaction through the emphasis on “temperature, speed and passion” to meet consumers’ quest for a simple, efficient and convenient lifestyle.

Jin Jiang Inn has been actively exploring new brand development. In March 2009, it officially launched Bestay Hotel Express, a new member of the family of budget hotels featuring more convenience and more affordable prices. The overall design of Bestay Hotel Express is more modernised and simplistic, with more compact space design and layout and an overall feeling of ease and harmony. With the strong support of the central support system of Jin Jiang Inn, Bestay Hotel Express will pursue development by way of both direct operation and franchising. A nationwide reservation hotline (4008208999) and a website for online reservation (www.bestay.com.cn) have already been launched.

Star-rated Hotel Management

As at 31 December 2008, Jin Jiang Hotel Management managed 100 Star-rated hotels with over 29,000 guest rooms, spreading across 49 cities in 21 provinces, autonomous regions and municipalities in China, of which 72 hotels are owned by third parties but managed by the Group.

During the year, Jin Jiang Hotels strengthened its efforts in the building and promotion of service and product standards, such as the introduction of Jin Jiang Oriental Dream (錦江東方之夢) mattress, which were well received by hotels and guests. A management team was deployed at the Jin Jiang World Expo Village Hotel Apartments in the second half of 2008 to prepare for its opening.

For online marketing, Jin Jiang Hotel Management continued to improve Jin Jiang Hotels’ central reservation system (“the JREZ system”) and expand access to centralised reservations to channel in more patrons. Bookings for over 100,000 room nights were operated through the JREZ system during the year, representing an increase of 52% against the previous year. Referrals through the international distribution system (IDS) and the global distribution system (GDS) accounted for 59% of the patrons.

During the Beijing Olympics, 5 high-end Star-rated hotels managed by Jin Jiang (Northern) Management Company Limited, a subsidiary of the Group, were signed up to provide accommodation in relation to the Olympic Games. Jin Jiang (Northern) Management Company Limited was also appointed to manage the Beijing Olympics Media Villages. Huating Hotel & Towers was appointed as a

hotel for official reception in the Shanghai Games Zone. The international profile of the Group was further enhanced as the effective management of its hotels was well recognised.

In terms of management, the Group continued to enhance its development of the two core products, namely guest-rooms and restaurants. With a strong focus on the standardisation of policies and procedures for hotel operation and management, we strengthened our management system and released 7 hotel operation and management manuals. During the reporting period, the Jin Jiang Hotels Operational Examination Team was set up and the first round of issue-specific inspection was conducted on member hotels in Shanghai.

During the year, the number of signed-up corporate customers continued to grow as the Group provided designated individuals for signing and room reservation services for over 260 corporate customers, who became major sources of patrons for our hotels. The Group's distribution network comprised over 1,500 partners, through which extensive sources for international patrons were secured in substantial growth over 2007. Bookings for over 100,000 room nights were received through the JREZ system in 2008, representing an increase of approximately 52% over the previous year.

During the year, the Group formed a delegation to take part in tourism exhibitions and marketing programmes held in Melbourne (AIME), Tokyo (JATA), Hong Kong (ITE) and China (CITM). A road-show highlighting Jin Jiang Hotels' welcoming the Olympic Games was also held in Beijing during the year. Such activities expanded the Company's access to customers and increased the Group's exposure in the international market.

The Group set up the "800" and "400" toll-free reservation hotlines to provide ease of reservation and strived to improve the experience of telephone reservation for patrons. Reservations made via www.jinjianghotels.com, the company website of Jin Jiang Hotel Management Company Limited, also multiplied. The Group will update its reservation websites and launch new marketing activities from time to time to attract more patrons.

During the year, the Group developed a frequent patron management system with Jin Jiang characteristics known as "Jinjiang Prestige" based on customary practices of the international hotel industry, aiming to enhance customer loyalty and the competitiveness of our hotels by providing customers with a first-hand experience of "courteous reception and efficient services" offered by Jin Jiang. The Group also cooperated with airlines and banks to offer score-points swapping and marketing services, while the joint credit card named "Jin Jiang Dragon Card" and a number of special marketing campaigns were also launched. The system has been applied in 15 of the Group's hotels and plans are underway for implementation at more hotels under the Group in 2009.

Food and Restaurants

In 2008, the Group's various brands of restaurant chains held through Jin Jiang Hotels Development continued to enjoy stable growth. As at the end of 2008, Shanghai KFC had a total of 233 outlets contributing to steady growth in revenue as well as its leading position in Shanghai's fast food market. Other restaurant chains included 5 Café de Coral outlets operated by Shanghai New Asia Café de Coral Company Limited, 62 New Asia Snacks outlets, 21 Yoshinoya outlets and 71 Jing An Bakery outlets, respectively. Chinese Story operated 2 restaurants, each located in Shanghai and Wuhan respectively.

Information Technology

The Group places a strong emphasis on the application of information technology to enhance hotel management and guestroom services. In 2008, the Group continued to advance the building of information systems in an orderly manner in accordance with its information development planning, so as to provide stronger support for both its owned hotels and hotels under management. During the year, the Group launched the JHMSS system which was designed to serve hotels under its management. Trial operations of special services such as JJPrestige and the Jin Jiang Dragon Card were completed. The "Jin Jiang Hotels Integrated Procurement Platform" system, designed to lower costs and improve efficiency, was successfully developed during the year. We continued to promote the application of the Jin Jiang digital room system and implemented software asset management at hotels owned or controlled by the Group.

While enhancing its guest room marketing ability with the application of information technology, the Group also leveraged its brand advantage, operational scale, core standards and rich supplier resources to develop the "Jin Jiang Hotels Centralized Procurement System", a browser/server-based supply chain management platform designed to lower procurement costs and to regulate the sunlight procurement process. Currently under trial operation following completion of stage one construction, the system should enable Jin Jiang Hotels to exercise stronger regulation over procurement activities and reduce its procurement costs.

In 2008, the Group improved the efficiency of using information software assets by introducing software asset management concepts and methods with stronger efforts in the building of information system. The centralized procurement of key information system software such as server software was also accomplished with the execution of an agreement for the centralized procurement of desktop application software in co-operation with major international software suppliers.

In 2008, Jin Jiang Inn further enhanced the functions of its PMS system to improve frontline operating efficiency. A "tea restaurant" management system capable of integration with the Jin Jiang Inn PMS system was being developed, while full-scale upgrading to PMS4.1 version, a more powerful version with

account book management functions, was completed during the year. The PMS4.2 version, a system capable of executing flexible changes in response to changing market prices, is now on-line following successful development on the basis of a full revamping of the existing PMS system with the integration of the externally sourced CRS system. A special task force was set up to study the new PMS5.0 version business system based on centralized data management. This new system will facilitate more convenient operation, more flexible response to marketing needs and more accurate and timely data exchange.

During the year, Jin Jiang Inn continued to leverage the function of the centralized data centre, which has been expanded to be capable of storing data of millions of patrons, laying foundations for improving its customer relations management system. The Jin Jiang Inn information management system was further optimized with the development of a software that facilitated on-line document distribution among outlets, regions and districts. As a result, document delivery was processed with more convenience and efficiency at lower costs.

Financial Review

Turnover

The Group's turnover for the year ended 31 December 2008 as compared with the same period in 2007 is set out below:

	Year ended 31 December 2008		Year ended 31 December 2007	
	<i>RMB in millions</i>	<i>As a percentage of turnover</i>	<i>RMB in millions</i>	<i>As a percentage of turnover</i>
Star-rated hotel operation	2,294.9	67.4%	2,400.0	75.1%
Jin Jiang Inn Budget Hotels	983.2	28.9%	673.6	21.1%
Star-rated hotel management	50.5	1.5%	42.5	1.3%
Food and restaurants	44.7	1.3%	45.9	1.4%
Others	29.5	0.9%	35.1	1.1%
Total	<u>3,402.8</u>	<u>100.0%</u>	<u>3,197.1</u>	<u>100.0%</u>

(I) Star-rated Hotel Operation

The following table sets out the amount and percentage of contributions from different businesses to the Group's turnover in Star-rated hotel operation for the year ended 31 December 2008, together with comparative figures of 2007:

	Year ended 31 December 2008		Year ended 31 December 2007	
	<i>As a</i>		<i>As a</i>	
	<i>RMB in percentage</i>		<i>RMB in percentage</i>	
	<i>millions of turnover</i>		<i>millions of turnover</i>	
— Accommodation revenue	1,208.1	52.6%	1,373.6	57.2%
— Food and beverage sales	769.2	33.5%	730.8	30.5%
— Rendering of ancillary services	128.6	5.6%	130.7	5.4%
— Rental revenue	140.5	6.2%	122.9	5.1%
— Sales of hotel supplies	48.5	2.1%	42.0	1.8%
Total	<u>2,294.9</u>	<u>100.0%</u>	<u>2,400.0</u>	<u>100.0%</u>

Accommodation revenue

Accommodation revenue was mainly determined by the number of Available Rooms, Occupancy Rate and ADR of the Group's hotels. The accommodation revenue of Star-rated hotels operation for the year was approximately RMB1,208,146,000, representing a decrease of 12.0% compared to the same period in 2007. The main factors which affected accommodation revenue were as follows:

- (i) Year-on-year decrease in inbound foreign visitors to Shanghai in the aftermath of the financial tsunami that swept through the world with a profound impact on the global economy, coupled with fast-growing supply of high-end Star-rated hotels in Shanghai had a severe impact on Shanghai's tourism and hotel industries. Inbound foreign visitors received by Shanghai in 2008 dropped 3.8% year-on-year, according to statistics published by Shanghai Municipal Tourism Administrative Commission.
- (ii) Benefited from the Beijing 2008 Olympic Games, Kunlun Hotel recorded substantial year-on-year growth in its daily average room rate of 28.1% as compared to the same period in 2007, resulting in the increase of accommodation revenue of approximately RMB42,124,000.

- (iii) Wuhan Jin Jiang International Hotel contributed RMB16,521,000 in net increase of accommodation revenue for the year, following its commencement of operations in July 2007.
- (iv) Peace Hotel recorded accommodation revenue from January to April 2007 before its suspension for refurbishment since April 2007. Accommodation revenue decreased by RMB9,665,000 as compared to the previous year.
- (v) The number of patrons to the Group's hotels dropped as a result of the objective factors such as the "5.12" Wenchuan mega earthquake and adverse climate in central southern regions caused by rarely seen rainstorm and snowstorm.

Food and beverage sales

The Group's food and beverage sales primarily comprise catering for weddings and conferences, room services for guests and other sales in bars and restaurants in hotels. As the cost of utilities, labour costs and prices of raw materials increased during the year, menu and banquet prices were accordingly adjusted upwards. As a result, the revenue from food and beverages sales at Star-rated hotels increased 5.3% to approximately RMB769,187,000, as compared to the same period in 2007.

Rendering of ancillary services

The revenue from rendering of ancillary services mainly represents the turnover generated from gift shop, entertainment, laundry services and other guest services. During the year, the revenue from ancillary services decreased by approximately RMB2,118,000 or approximately 1.6% as compared to the same period in 2007, in line with the reduced number of patrons.

Rental revenue

Rental revenue was mainly generated from the leasing of space at the Group's hotels for shops, showroom and other purposes. Rental revenue increased by approximately RMB17,571,000 or approximately 14.3% as compared to the same period in 2007.

Sales of hotel supplies

Turnover from guest amenities and hotel supplies increased by approximately RMB6,479,000, or approximately 15.4% as compared to the same period in 2007. The growth was mainly attributable to the

turnover growth due to an increase in the amount of new contracted and managed Star-rated hotels and new franchised Jin Jiang Inn Budget Hotels.

(II) Jin Jiang Inn Budget Hotels

ADR and Occupancy Rate of budget hotels were relatively stable as compared to Star-rated hotels. Turnover of Jin Jiang Inn Budget Hotels for the year amounted to approximately RMB983,180,000, an increase of approximately RMB309,590,000 or approximately 46.0% compared to the previous year. The increase was mainly attributable to the increase in Available Rooms from the new directly-managed Jin Jiang Inn Budget Hotels which opened during the year as well as the increase in initial franchise fees and ongoing franchise fees. During the year, initial and ongoing franchise fees income amounted to approximately RMB62,467,000, representing an 80.8% growth compared to the previous year.

(III) Star-rated Hotel Management

The external sales of Star-rated hotel management for 2008 amounted to approximately RMB50,551,000, representing an increase by approximately 18.9% compared to the same period in 2007. Such sales represented mainly the management fee received for hotel management services provided to Star-rated hotels not owned by the Group, including newly added managed hotels through Jin Jiang (Northern) Management Company Limited.

(IV) Food and Restaurant Operation and Others

Revenue from the food and restaurant operation and others are mainly derived from Chinese Story and Shanghai New Asia Food Company Limited. During the year, revenue from the food and restaurant operations amounted to approximately RMB44,670,000, a decrease of approximately 2.7% as compared to the same period in 2007.

The Group also engaged in other businesses, including the provision of intra-group financial services through Jin Jiang International Finance and the operation of training schools. During the year, revenue from such other businesses amounted to RMB29,494,000, a decrease of approximately 16.0% as compared to the same period in 2007.

Cost of Sales

Cost of sales for the year amounted to approximately RMB2,353,925,000, a year-on-year increase in approximately 10.8%. The increase was mainly due to increase in labour costs, energy expenses and commodity cost prices and the increase in amortisation costs and property rental expenses attributable to the opening of new outlets of Jin Jiang Inn Budget Hotels.

Gross profit

For the above reasons, the Group recorded a gross profit of approximately RMB1,048,883,000 for the year, a decrease of approximately RMB23,101,000 or approximately 2.2% compared to the same period in 2007.

Other Income

Other income for the year included dividend income received from Suzhou, Wuxi and Hangzhou KFCs and from Changjiang Securities amounting to approximately RMB95,514,000 (same period in 2007: approximately RMB35,638,000); a gain of approximately RMB46,432,000 (same period in 2007: approximately RMB166,265,000) from the disposal of shares in PDB; a gain of approximately RMB16,694,000 (same period in 2007: approximately RMB43,313,000) from the disposal of other equity investments; and a gain of approximately RMB22,394,000 (same period in 2007: approximately RMB82,011,000) from the disposal of 9.445% equity interests in Jiu Long Hotel. Other income for the year decreased by approximately RMB139,778,000 compared to the same period in 2007.

Selling and Marketing Expenses

Selling and marketing expenses for the year primarily comprising travel agents commission, advertising expenses and labour costs, amounted to approximately RMB159,685,000 (same period in 2007: approximately RMB159,954,000), representing a decrease of approximately 0.2% as compared to the same period in 2007.

Administrative Expenses

Administrative expenses for the year decreased year-on-year by approximately 0.6% to approximately RMB602,207,000 (same period in 2007: approximately RMB605,638,000), attributable to the increase in labour costs, notwithstanding the decrease of office expenses, telephone charges and decoration and maintenance expenses.

Other Expenses

Other expenses of the Group for the year, primarily consisting of bank charges and losses from the disposal of property, plant and equipment, decreased by approximately 38.3% from 2007 to approximately RMB28,396,000 (same period in 2007: approximately RMB46,014,000). The decrease reflected mainly the reduction of losses from the disposal of property, plant and equipment by approximately RMB16,570,000.

Finance Cost

Finance cost, comprising interest expenses in respect of the Group's bank borrowings, amounted to approximately RMB44,308,000 (same period in 2007: approximately RMB92,716,000) for the year, a decrease by approximately 52.2% compared to the same period in 2007. The decrease was mainly attributable to the repayment of bank borrowings using listing proceeds during the period from April to June 2007, resulting in a year-on-year reduction in interest expenses. In addition, a foreign exchange loss of approximately RMB38,500,000 in respect of foreign currency amounts in the proceeds of the initial public offering of the Company recorded for the same period in 2007 contributed to the increase in finance cost.

Share of Results of Associates

Results of associates primarily include results of the Group's associates Shanghai Kentucky Fried Chicken Company Limited and Shanghai Yangtze Hotel Company Limited, etc.. Share of results of associates for the year decreased by approximately 25.8% to approximately RMB72,760,000 (same period in 2007: approximately RMB98,099,000). The decline was mainly attributable to the decrease in share of results from Shanghai Kentucky Fried Chicken Company Limited and Shanghai Yangtze Hotel Company Limited by approximately RMB5,886,000 and RMB4,630,000 respectively, and from Jiangsu Jin Jiang Nanjing Hotel Company Limited, Wuxi Jinjiang Grand Hotel Company Limited, Shanghai Zhongya Hotel and Chengdu Jinhe Real Estate Company Limited by approximately RMB2,397,000, RMB2,205,000, RMB3,923,000 and RMB5,400,000, respectively, as compared to the same period in 2007.

Taxation

The effective tax rate for the year was approximately 18.1% (same period in 2007: approximately 17.2%). The effective tax rate for 2008 was lower than the statutory tax rate due to a higher amount of after-tax dividend income which was received during the year. Lower tax rates for 2007 were mainly attributable to the substantial decrease in income tax expense as a result of adjustments to the Group's deferred income tax assets and liabilities in accordance with the applicable tax rates under the new Corporate Income Tax Law of PRC promulgated in March 2007.

Profit for the Year

As a result of the factors described above, profit for the year ended 31 December 2008 attributable to equity holders of the Company was approximately RMB270,255,000 (same period in 2007: approximately RMB383,417,000), decreasing by approximately RMB113,162,000 or approximately 29.5%.

Pledge of Assets

As at 31 December 2008, property of the Group with net book amount of approximately RMB324,038,000 were pledged to banks as security for the Group's borrowings.

Gearing Ratio

The gearing ratio (calculated as total borrowings divided by total assets) increased from approximately 3.6% on 31 December 2007 to approximately 5.2% on 31 December 2008.

Group Liabilities and Financial Conditions

The Group entered into 6 unsecured/secured RMB corporate loan agreements with 4 banks in 2008 with a total amount of RMB321 million, comprising unsecured loans of RMB310 million, secured loans of RMB11 million, 1-year term loan of RMB221 million and loans of RMB100 million with terms ranging from 1 to 2 years.

The Group has fulfilled all covenants under its loan agreements. Outstanding borrowings as at 31 December 2008 are analysed as follows:

	Maturity of contracted borrowings outstanding at 31 December 2008				Total
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
	<i>(RMB'000)</i>				
Borrowings					
Bank borrowings (<i>RMB</i>)	235,500	125,000	120,563	30,000	511,063
Bank borrowings (<i>USD</i>)	<u>27,338</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>27,338</u>
Total	<u>262,838</u>	<u>125,000</u>	<u>120,563</u>	<u>30,000</u>	<u>538,401</u>

Note: Of the total amount of borrowings, unsecured borrowings accounted for approximately RMB337 million or approximately 63%, and secured borrowings accounted for approximately RMB201 million or approximately 37%. RMB borrowings accounted for approximately RMB511 million or approximately 95%, and US\$ borrowings accounted for approximately US\$4 million (equivalent to approximately RMB27.34 million) or approximately 5%.

Treasury Management

Cash and cash equivalents as at 31 December 2008 and 2007 were approximately RMB1,644,962,000 and RMB1,943,291,000, respectively, providing relatively ample cash flow.

Interest Rate and Exchange Rate Risk Management

Jin Jiang International Finance, a subsidiary of the Company, acts as a non-banking financial institution within the Group. In order to centralise cash resources and improve the efficiency of fund applications, the subsidiaries and associates of the Company deposit most of their cash in the accounts with Jin Jiang International Finance and borrow from Jin Jiang International Finance as first priority in case of fund shortage. As a result, the interest expenses of external bank borrowings have decreased. The lending interest rates applicable to the Group are mostly charged at a 5%-10% discount to the prevailing benchmark rate of the People's Bank of China, leading to decrease in interest expenses for borrowings.

During the year under review, the Company was not subject to any exposure to significant fluctuation in exchange rate nor was it engaged in any hedging activities. The Company will actively consider the use of relevant financial instruments to manage interest rate risks and currency exchange rate risks in line with its business development.

Available-for-sale Financial Assets

During year under review, 1,843,000 shares in Shanghai Pudong Development Bank ("PDB") were disposed of, realising an investment gain of approximately RMB46,432,000. Net gain after deducting income tax expense and minority interests amounted to approximately RMB31,210,000.

As at 31 December 2008, available-for-sale financial assets held by the Group comprised 4,559,985 shares in PDB (Stock code: 600000.SH) and 13,148,849 shares in Shenzhen Catic Real Estate Co., Ltd. (Stock code: 000043.SZ) as well as 100,637,463 shares in Changjiang Securities Co., Ltd. (Stock code: 000783.SZ) and 675,000 shares in China Quanjude (Group) Co., Ltd. (Stock code: 002186.SZ) held by Jin Jiang Hotels Development, the controlling interest of which is owned by the Company. The Group will continue to gradually dispose of its available-for-sale financial assets based on market conditions.

During the period from 25 February to 4 March 2009, the Company disposed of a total of 4,559,985 A shares in PDB and received net proceeds of approximately RMB78,432,000. Following the above disposal, the Company no longer holds any A shares in PDB.

Human Resources and Training

The Group runs a professional training school to provide professional training and nurture industry professionals, where education and training are based on the actual context of hotel management. The Company has set up the Les Roches Jin Jiang International Hotel Management College in partnership with GESHOTEL-Les Roches Swiss Hotel Association School of Hotel Management, which provides hotel managers and future hotel management with

various types and levels of Star-rated hotel training courses. In 2008, the Hotel Management College expanded its enrolment for full-time students and 23 top graduates were selected as management trainees of the Group to undergo a half-year training course with internship, while 43 of our incumbent intermediate or senior management officers were assigned to one-year or six-month training courses of the college.

In relation to staff training, the Group increased its efforts in the training and amount of back-up human resources with the holding of 2 training sessions for intermediate and senior management staff and 1 session for management trainees. Various management personnel were trained at Jin Jiang International Management School with an emphasis on their ability to adapt to the development trends in the industry. The quality of management staff of our hotels was improved through short-term and medium-term training courses for intermediate and senior management staff held during the year with a total enrolment of over 1,800 attendees. Thirteen training sessions in various skills were held to improve the quality of our hotel services.

To cater to the ongoing expansion of its hotel chain, Jin Jiang Inn further improved its appraisal system and remuneration management standards, as well as its staff career development regime. The training system was enhanced to provide staff with multi-faceted training. In 2008, 36 training sessions were organised for over 1,000 intermediate and senior management staff from budget hotels and 40 training sessions for budget hotel launch were organised with a total enrolment of over 1,600 attendees. The training network comprising the headquarter, regional, district and outlet levels was generally enhanced.

To comply with the Implementation Rules of the Labour Contract Law of PRC, the hotel management company under the Group revised its hotel staff manual to ensure stable and orderly personnel management.

In 2008, the Group developed a collective wage negotiation system, and improved its annuity, supplementary provident fund, supplementary medical insurance and other welfare systems.

As at 31 December 2008, the Group had approximately 18,800 employees, basically same as the previous year. Employee benefit expense increased by approximately RMB50,600,000 or 5.2% against 2007. The remuneration package for existing employees comprises the basic salary, discretionary bonus and social security contributions. No share option scheme has been set up so far.

Social Responsibility

The Group has always pursued the cause of social welfare with strong enthusiasm and actively participated in community service. During the period, we actively organized donations to victims in the aftermath of the “5.12” Wenchuan earthquake, as we felt compelled to support the emergency relief efforts in China.

Our employees were engaged in concerted efforts in relief donations and fundraising, in a bid to help the restoration of homes in disaster-stricken areas with practical actions.

To provide further assistance, a charity fundraising campaign entitled “Compassion and Charity” (點燃激情、傳遞愛心) was launched through the reservation website of Jin Jiang International Hotel Management Company Limited; while Jin Jiang Inn organised the “Donations for Patronage” (您住店，我捐款) campaign.

During 2008, the hotels of the Company fulfilled hospitality tasks for a number of significant events with best-in-class services. Five high-end Star-rated hotels managed by Jin Jiang (Northern) Management Company Limited, a subsidiary of the Group, were signed up to provide accommodation in relation to the Olympic Games. Jin Jiang (Northern) Management Company Limited was also appointed to manage the Beijing Olympics Media Villages. Huating Hotel & Towers was appointed as a hotel for official reception in the Shanghai Games Zone. These services were highly commended. In addition, Thayer Jin Jiang Interactive Co., Ltd. (www.hubs1.net), an investee of the Company, was selected by the organizers of Shanghai World Expo to be a provider of hotel reservation services for the event.

Energy conservation continued to be on top of the Group’s agenda as we actively employed energy-saving technologies to advance the building of green hotels in an orderly fashion. During the period under review, Jin Jiang Hotel, Huating Hotel & Towers and Jiangxi Jinfeng Hotel were each named a “Golden-Leaf Grade Green Tourist Hotel”, while Metropole Hotel and Pacific Hotel were each named a “Silver-Leaf Grade Green Tourist Hotel”.

The Group also regard the improvement of staff remuneration and welfare as its priority task. During 2008, the first general assembly of staff representatives of the Group was held in a move to enhance the mechanisms for mutual consultation and rights protection regarding staff interests. The agreement for collective wage negotiation for 2008 was approved at the meeting.

Energy Conservation

During 2008, the Company continued to pursue its objectives in energy conservation and discharge reduction in complement to its efforts to establish green tourist hotels and positive results were attained. In 2008, the Company further promoted the consumption of natural gas in substitution for diesel and the use of fuel-saving and environment-friendly additives. We also made a major effort to promote the conversion of steam boilers into hot-water boilers and the recycling of condensed water from boilers to reduce energy consumption of the boiler system. Energy consumption of the air-conditioning system was also reduced with the application of technologies such as frequency conversion and fuzzy-logic controls, while the reduction of energy consumption at the pump systems was facilitated by the use of frequency conversion units and soft-start

units. During the year under review, the geo-thermal heat pump system has also been gradually introduced to other hotels after the successful trial operation at Da Hua Hotel. The system is now in operation at Min Hang Hotel after completion of the geo-thermal heat pump system conversion works, while such conversion projects are underway at Cypress Hotel, New Garden Hotel and Jinsha Hotel, which are scheduled for completion and trial operation during the first half of 2009. The possibility of shared laundry on the back of resource integration was also under active consideration, with an aim to improve the utilization rate of equipment and reduce energy consumption.

Corporate Strategies and Outlook for Future Development

The Group has implemented diversified strategies to sustain long-term development, which include the strategic redeployment of hotel assets, expansion of budget hotels, upgrading of Landmark Hotels, brand enhancement strategy, strengthening of hotel management standards and market leadership.

For the purpose of countering the various adverse effects of the financial tsunami on the hotel industry, the Company has formulated various measures for the main goal of reducing costs and improving service quality, which include considering and formulating a guide for hotel operations under the financial crisis to provide member hotels with guidance on aspects such as revenue increase, expenses reduction and risk control; implementing hotel operation and management manuals to improve hotels quality; launching a central procurement system to reduce operational costs; and strengthening marketing efforts for guest-rooms and restaurants so as to increase revenues and reduce expenses as well as to mitigate the negative impacts of the financial tsunami.

Although the global economy has been severely affected by the financial tsunami, the Shanghai World Expo 2010 will bring sound opportunities for the hotel industry of China. Along with the increase of visits to Shanghai by worldwide enterprises to prepare for the World Expo, we expect an increase of hotel patronage in Shanghai in 2009, which would benefit the Group, whose hotels are mostly located in Shanghai.

In the case of the operation of Star-rated hotels, the Group plans to upgrade and renovate the facilities and exterior/interior decoration of Landmark Hotels and Luxury Hotels which have been in operation for decades. For budget hotels, the strategy will continue to focus on the expansion in the number of outlets and geographical presence in China through organic growth and franchising. In terms of hotel management, more efforts will be devoted to brand building, standardisation and talent recruitment to improve our management quality and acquire more hotel management contracts. In light of the actual circumstances of Jin Jiang Hotel brand, the Group will further optimize its brand development strategic plan, refine its brand character and formulate a framework proposal for Jin Jiang Hotel brand structuring.

The Group is the leading hotel investor cum operator in China. Benefited from its competitive advantages in hotel ownership and management, the Company is well-positioned to strengthen control over its hotels while realising potential value growth for its hotel properties. The Group will enhance future profitability through the redeployment of funds to rationalise the network and distribution of its hotels.

The Group will continue to strengthen its six major platforms namely information, finance, purchasing, marketing, human resources and management systems. Innovations will be explored in six aspects, namely business models, hotel networks, asset allocation, institutions and systems, management and corporate culture. Core competitive advantages of Jin Jiang Hotels will be enhanced in terms of brand building, networking, human resources and management systems, so that it will develop into a leading hotel operator and manager in China with international competitive advantages.

(iv) For the year ended 31 December 2007

The following is the management discussion and analysis extracted from the 2007 annual report of the Company.

Operational Review

The Company's operations in Star-rated hotel operation, Jin Jiang Inn Budget Hotels, Star-rated hotel management and Food and restaurants enjoyed stable growth in 2007. Continuous expansion in business scale and new accomplishments in brand building, network development, management systems and talent recruitment were achieved. During 2007, the Company reported a growth in revenue and profit attributable to equity holders of the Company, which amounted to approximately RMB3,197,065,000 and approximately RMB383,417,000 respectively, representing growth of approximately 5.5% and approximately 14.5% against 2006.

As at 31 December 2007, the Company held or managed 380 hotels in operation or under development with close to 70,000 rooms, spreading across 100 cities in 31 provinces, autonomous regions and municipalities in China. The Group remained one of the leading hotel groups in the PRC in terms of the number of hotel rooms. According to the latest ranking of global hotel groups announced by the HOTELS Magazine (the official publication of The International Hotel & Restaurant Association) in July 2007, the Group ranked 17th in the world in terms of the number of hotel rooms.

Star-rated Hotel Operation

Star-rated hotel operation is one of the major sources of revenue for the Group while Shanghai is the base of the Group's business, accommodating over 80% of our self-managed Star-rated hotels. In 2007, Shanghai received over five million staying overnight foreign visitors (inclusive of Hong Kong, Macau and Taiwan), representing a growth of approximately 11.9%.

Comparison between performance of the Group's Star-rated hotels and the other Star-rated hotels in Shanghai is set out as below:

	2007				2006			
	The Group's Star-rated hotels in Shanghai		Other Star-rated hotels in Shanghai		The Group's Star-rated hotels in Shanghai		Other Star-rated hotels in Shanghai	
	Average occupancy rate (%)	Average room rate (RMB)	Average occupancy rate (%)	Average room rate (RMB)	Average occupancy rate (%)	Average room rate (RMB)	Average occupancy rate (%)	Average room rate (RMB)
5-star	67.7	1,006	68.2	1,336	71.4	1,022	72.6	1,406
4-star	71.6	664	63.5	648	69.4	681	66.7	658
3-star	65.7	347	56.9	326	68.0	348	60.0	334
2-star	71.2	289	57.4	212	73.7	289	57.7	222

Notes:

- To ensure consistency with the statistics of Shanghai Municipal Tourism Administrative Commission, the classifications of the Group's Star-rated hotels have been adjusted accordingly.
- 5-star hotels: Jin Jiang Hotel, Peace Hotel, Huating Hotel & Towers, Jin Jiang Tower, Jin Jiang Tomson Hotel and Renaissance Yangtze Shanghai Hotel. Peace Hotel was excluded due to its suspension for refurbishment since April 2007 and rooms for renovation of Jin Jiang Tower was excluded for its reduction in available rooms during renovation.
- 4-star hotels: Park Hotel, Jian Guo Hotel Shanghai, Cypress Hotel, New Asia Plaza Great Wall Hotel, Galaxy Hotel, Rainbow Hotel, Shanghai Hotel and Sofitel Hyland.
- 3-star hotels: Pacific Hotel, Peace Palace Hotel, New Asia Hotel, Metropole Hotel, Y.M.C.A Hotel, Hua Ting Guest House, New Garden Hotel, Jinsha Hotel, Da Hua Hotel and Zhongya Hotel. Peace Palace Hotel was excluded due to its suspension for refurbishment since April 2007.
- 2-star hotels: East Asia Hotel, Nanjing Hotel and Min Hang Hotel.
- None of the Group's hotels were suspended for major refurbishment in 2006.

The hotel industry in Shanghai was subject to competition from new players and the overall occupancy rate of Star-rated hotels dropped by 2.4% to 61.5% against 2006, according to the statistics published by Shanghai Municipal Tourism Administrative Commission. Most of the Group's Star-rated hotels in

Shanghai, however, outperformed the market either in the average room rate or average occupancy rate by recording a less than average decrease. In particular, our 4-star hotels even managed to increase average occupancy rate by 2%.

In spite of keen competition causing pressure on hotel operation, certain hotels of the Group even achieved profit growth in 2007.

Among our 5-star hotels, Kunlun Hotel enjoyed relatively stronger growth in the room revenue per available room (“RevPAR”) of approximately 15.0% against 2006, owing to the benefits arising from the upcoming 2008 Olympic Games and improvements in its management standards.

Among our 4-star hotels, Sofitel Hyland started to renovate a small number of guestrooms and part of its restaurant in the first half of 2007, following renovation of most of its guestrooms on the higher floors, which started in March 2006. Upon completion of the renovation, Sofitel Hyland recorded a substantial increase in RevPAR of approximately 17.6% against 2006. Occupancy rate at Jian Guo Hotel had been affected by the exterior renovation conducted during the period from June to December 2006. Upon completion, the hotel enjoyed a 9.7% growth in RevPAR in 2007 as compared with 2006.

The overall refurbishment of Peace Hotel, which commenced during the first half of 2007, has been progressing smoothly. The Company appointed two internationally renowned hotel designers, namely, Hirsch Bedner Associates and Fairmont Hotel Inc., as design advisers and technical service consultants to formulate the overall refurbishment plan of Peace Hotel. In 2007, the plan was approved by relevant cultural heritage authorities at both Shanghai and State levels. The refurbishment of Peace Hotel will continue to be carried out in accordance with planned schedules. As of the date of this annual report, the project work approval procedures for Peace Hotel have generally been completed. Disposal of guestroom amenities and other inventories has been generally completed and the design drawings and the showcase rooms have been generally finalised.

In April 2007, the Group and The Swatch Group (Hong Kong) Ltd entered into a cooperative joint venture contract in respect of the establishment of a Sino-foreign cooperative joint venture company named “Shanghai Swatch Art Centre Co, Ltd” (the “CJV”) with a registered capital of US\$20 million. The Group and The Swatch Group (Hong Kong) Ltd contributed 10% and 90% of the registered capital respectively. The CJV has leased Peace Palace Hotel from the Company and plans to convert it into an art centre and a flagship store of international brand watches.

One of the Group’s strategies is to increase its operating capabilities through renovating its landmark hotels and luxury hotels. There was significant growth in the operating results of Sofitel Hyland and Jian Guo Hotel in 2007 after the completion of their guestroom renovation.

For Jin Jiang Tower, guestroom renovation, refurbishment and maintenance of 17 floors have been completed and the room facilities have been significantly improved. Room renovation for the remaining floors is expected to complete by the end of 2008. Galaxy Hotel and Rainbow Hotel also completed guestrooms renovation on certain floors in 2007. Room rates for renovated floors are expected to improve progressively as a result. The Company injected additional capital into Jin Jiang Hotel in 2007 for the renovation of its internal facilities and equipment.

It has been the Group's strategy to boost its nationwide presence so as to maximise the radiating effect by building regional headquarters and flagship hotels in hub locations. In this connection, Wuhan Jin Jiang International Hotel ("Wuhan Jin Jiang"), a brand new five-star hotel controlled by the Group and equipped with 400 rooms, gradually commenced soft opening in the second half of 2007 and the quality of its service received positive response from the market. Wuhan Jin Jiang is expected to become the Group's flagship in Central China.

The Group's plan to acquire a hotel in the north-western region of China progressed well. A framework agreement in respect of the Company's acquisition of a hotel located in the north-western region of China was signed with an independent third party in December 2007. The Company shall purchase such hotel from the independent third party and the consideration shall be based on the appraised value of such hotel property asset (not exceeding RMB230,000,000). The two parties agreed to complete the necessary procedures within a certain period of time after the signing of the framework agreement and to execute a formal equity transfer agreement and other documents thereafter.

In 2007, the Company also renewed the lease for Y.M.C.A Hotel in Shanghai. With an overall renovation plan, the Company is probing into and creatively develop a proposal for the brand new commercial hotels.

In line with our strategy to realign the distribution of hotels, the Company disposed of its 44% equity interest in Shanghai Jiu Long Hotel Co., Ltd. ("Jiu Long Hotel") in 2007 to Shanghai Greenland Commercial (Group) Co., Ltd. ("Greenland Group"). Following the transfer, Greenland Group injected an additional capital, which was completed by 30 November 2007. As at 31 December 2007, the Company held a 9.45% interest in Jiu Long Hotel but retained the right to manage it.

Jin Jiang Inn Budget Hotels

Jin Jiang Inn Budget Hotels remains a main focus of the Company's business development. The business of Jin Jiang Inn Budget Hotels comprises mainly the operation of Jin Jiang Inn Budget Hotels on leased properties, the grant of franchises of the brand of Jin Jiang Inn to third party hotel owners and the development of budget hotels on owned properties. Jin Jiang Inn focuses on the operation of Jin Jiang Inn Budget Hotels on leased properties and the grant of

franchises, while Shanghai Jin Jiang International Hotel Investment Company Limited (“Jin Jiang International Hotel Investment”) focuses on investment of Jin Jiang Inn Budget Hotels on owned properties.

In 2007, Jin Jiang Inn entered into agreements for the development of 29 self-managed budget hotels and 70 franchised budget hotels. As at 31 December 2007, there were a total of 280 Jin Jiang Inn Budget Hotels (with over 38,000 rooms) in operation or under development. During the year, 69 new Jin Jiang Inn Budget Hotels commenced operations, including 26 self-managed hotels and 43 franchised hotels. As at 31 December 2007, 160 hotels were in operation.

As at 31 December 2007, the Jin Jiang Inn Budget Hotel’s network covered 83 cities in 29 provinces, autonomous regions or municipalities, including 146 budget hotels in the Yangtze River Delta region accounting for approximately 52.1% of the total number of Jin Jiang Inn Budget Hotels. There were 68 and 18 Jin Jiang Inn Budget Hotels in Shanghai and Beijing respectively, which further reinforced the strengths of the Company in these two leading regional centres of China. In addition, the Jin Jiang Inn Budget Hotel’s network is now gradually expanding into the Pearl River Delta region, the Bohai gulf area and other secondary cities in the PRC. There were 163 franchised hotels of Jin Jiang Inn in operation and under development, accounting for 58.2%.

During the year, Jin Jiang Inn made new inroads in the development of its talent training system, information platform, franchise system, support and protection system and internal financial control system. Regional integration of resources was facilitated and the business process for outlet sharing was optimised, resulting in lower operating costs. Quality control and cost control of construction projects was enhanced to improve quality and lower construction costs. Jin Jiang Inn continued to strengthen brand building and the strategic development framework and the brand promotion measures for Jin Jiang Inn brand have been revised. Meanwhile, Jin Jiang Inn has further improved its management control systems to ensure brand quality and service standards. Jin Jiang Inn has optimised its brand operation standards in the areas of daily operations, quality inspections and business commencement, as well as its work flows and procedures in the areas such as reception, guest rooms, etiquette and operations budget. The abilities to execute measures to ensure brand standards have also been constantly enhanced. The Jin Jiang Inn Green Environmental Hotel was launched in the Xincheng District which is nearby Shanghai’s coastal zones of East Sea. It became the new shining point for the Jin Jiang Inn brand.

The ancillary catering service of Jin Jiang Chef (錦江大廚) and Chef Two Cafe (星連心) restaurant also achieved steady progress.

Star-rated Hotel Management

By the end of 31 December 2007, Jin Jiang International Hotel Management Company Limited (“Jin Jiang Hotel Management”) managed 95 Star-rated hotels and one independently operated Star-rated hotel with over 28,000 rooms, of which

67 hotels are owned by third-party but managed by the Group. Star-rated hotels managed by the Group were located in 45 cities spreading across 23 provinces, autonomous regions and municipalities in China.

In terms of management standards, Jin Jiang Hotel Management increased its efforts to promote the standardisation of hotel management standards, streamlining and integrating the standards, policies and procedures of Jin Jiang Hotel Management in various operational areas such as brand identity, core quality standards for products and services, sales and marketing, human resources, finances, IT and pre-opening procedures, demonstrating the fusion of Jin Jiang's unique features with international elements without compromising the compliance of the State regulations. Standardisation and quality improvement were sought in respect of products which would more likely affect customers' satisfaction. The promotion of core guestroom standards was underpinned by standardised guestroom decoration. The quality of guestroom amenities was improved by the introduction of products such as Jin Jiang Oriental Dream “錦江東方之夢” bedding sets. The core hotel food and beverage standards based on buffet dining were also promoted. The Group's “” logo for Star-rated hotels, featuring graphically the roof eaves of Chinese palaces, was being gradually applied to our hotels and stronger efforts were made to improve the brand identity for Jin Jiang Star-rated hotel management to enhance our brand image.

On 16 April 2007, Jin Jiang Hotel Management signed a contract with Fairmont Hotels Inc. for the establishment of a Sino-foreign equity joint venture company named “Shanghai Jin Jiang Fairmont Hotel Management Co., Ltd” (“Jin Jiang Fairmont”). Jin Jiang Fairmont will be responsible for managing the renovated Peace Hotel.

In 2008, the global focus will be on Beijing's Olympic Games. Jin Jiang (Northern) Management Company Limited, a subsidiary of the Company, has launched accommodation management services relating to the Beijing Olympic Games and has undertaken assignments to manage the media village. Five premium Star-rated hotels in Beijing managed by Jin Jiang Hotel Management have entered into room accommodation agreements with the Olympic Organising Committee.

The Group has launched hotel service cooperation with the official organiser of Shanghai World Expo 2010. Jin Jiang Hotel Management entered into “Contract for Entrusted Management of the Jin Jiang Serviced Apartments in the Expo Village” with Shanghai Expo Land Holdings Limited (上海世博土地控股有限公司) to manage the service apartments comprising seven blocks with about 880 suites. Thayer Jin Jiang Interactive Company Limited was appointed official hotel room reservation agent for the Shanghai World Expo 2010.

Food and Restaurants

In 2007, the Group's various brands of restaurant chains held through Jin Jiang Hotels Development continued to enjoy stable growth. As at the end of 2007, Shanghai KFC had a total of 209 outlets, adding 18 new shops over the year with steady growth in revenue and profit. It maintains its leading position in Shanghai's fast food market. New Asia Café de Coral operated six Café de Coral outlets, while there were 67 New Asia Snacks outlets. There were 12 Yoshinoya outlets and 65 Jing An Bakery outlets. Chinoise Story operated two restaurants in Shanghai and Wuhan respectively.

Marketing

In 2007, there was a steady increase in the number of agreements signed with major customers. Our customer base was extended to tourism management companies and professional convention and exhibition organisers. Dedicated contract signing ceremony and room reservation services had been provided to over 200 corporate customers, who became major customer sources for our hotels. The Group's sales distribution network consisted of over 1,000 partners, channeling herds of international customers to book through our Jrez system with significant growth against 2006.

The Group participated in tourist exhibition and promotion activities such as CBITM, JATA and CITM to explore new customer sources and enhance market recognition.

The Group has set up the free "800" and "400" reservation hotlines to provide patrons with convenience in room reservation and make phone reservation a positive experience for them. Reservations through the websites of Jin Jiang Hotel Management and Jin Jiang Inn (www.jinjianghotels.com and www.jinjianginns.com) also increased in folds. The Group will constantly update its reservation websites and provide more promotional packages for patrons.

During the year, Jin Jiang Inn further improved its marketing regime to increase sales. Taking the opportunity of the 10th anniversary of Jin Jiang Inn, a series of promotional activities were launched under the theme of "Experiencing a Star-rated Hotel: the Dedication of the Heart" ("星的歷程，心的奉獻"). Reservation was on the rise following the capacity expansion of the reservation centre and the population who hold membership cards grew to exceed 240,000. Jin Jiang Inn launched a 2008 Beijing Olympic Games advanced room reservation package for its members in 2007.

Information Technology

The Group places a strong emphasis on the application of information technology in hotel management and guestroom services. With strict proofing, the Company, taking into account the features of Jin Jiang Hotels, has drawn up long-term development proposal and its annual implementation plans for the

information development. Long-term partnerships have been developed with a number of renowned international and domestic hotel IT suppliers to set up various IT infrastructure standards and its implementation procedures. Investments in hotel IT systems were increased with proven results in Jrez and other systems.

JREZ

Advanced third-generation seamless online connection and reservation engines have been used in JREZ to facilitate full interface between over 1,000 co-operation partners around the world, including by the global distribution system (GDS) and the international distribution system (IDS) and the Jin Jiang brand website and call centre. By integrating the PMS systems of the hotel, a two-way connection between JREZ and PMS has been established to enhance the efficiency of the room reservation process, providing patrons with a significantly improved experience in booking rooms with Jin Jiang Hotel. Monthly orders through JREZ advanced booking exceeded 10,000 room/nights and continued to grow at a monthly rate of around 10%. During the year of 2007, bookings for 70,000 room/nights were received through “JREZ”, which was 9 times of that recorded for the previous year.

The Jin Jiang Digital Room System

The Jin Jiang digital room system has basically been formed after two years of close cooperation with our partners. The system has integrated the large-screen LCD digital TV, personal computer and high-speed broadband connection in guestrooms to provide customer with functions such as video watching, digital VOD, e-commerce, entertainment and online office, etc., giving a major boost in meeting patrons’ needs in mobile office and leisure activities. The system is currently in a promotional stage.

Sales of Hotel Supplies

In terms of supply, cost reductions were achieved without compromise in quality standards with centralised procurement for the Group’s star-rated hotels and the Jin Jiang Inn Budget Hotels through Shanghai Jin Jiang International Hotel Commodities Co., Ltd.(上海錦江酒店物品供應公司).

Cost Control and Financial Accounting System

Following a successful trial run at Jin Jiang Hotel which had contributed to cost reductions in Jin Jiang Hotel, the cost control system developed by the Company in association with a leading software supplier was introduced in other Group’s hotels during the year.

In July 2007, the Group introduced the Hyperion financial management software to facilitate the consolidation of financial statements, financial analysis and planning, budgeting and financial forecast. Through the application of this

software, the Group hopes to regulate the financial management system of subsidiary companies with a view to improvements in the general financial management standards at group level.

Business and Financial Review

Turnover

The Group's revenue which represents turnover for the year ended 31 December 2007 as compared with 2006 is set out as below:

	Year ended		Year ended	
	31 December 2007		31 December 2006	
	<i>RMB</i>	<i>Percentage</i>	<i>RMB</i>	<i>Percentage</i>
	<i>million</i>	<i>of Turnover</i>	<i>million</i>	<i>of Turnover</i>
Star-rated hotel operation	2,400.0	75.1%	2,465.7	81.4%
Jin Jiang Inn Budget Hotels	673.6	21.1%	430.3	14.2%
Star-rated hotel management	42.5	1.3%	38.3	1.2%
Food and restaurants/ Restaurants	45.9	1.4%	49.2	1.6%
Others	35.1	1.1%	47.0	1.6%
Total	<u>3,197.1</u>	<u>100.0%</u>	<u>3,030.5</u>	<u>100.0%</u>

(i) Star-rated Hotel Operation

The following table sets out the Group's turnover attributable to the Group's Star-rated hotel operation analysed by different business segments for the year ended 31 December 2007 against 2006:

	Year ended		Year ended	
	31 December 2007		31 December 2006	
	<i>RMB</i>	<i>Percentage</i>	<i>RMB</i>	<i>Percentage</i>
	<i>million</i>	<i>of Turnover</i>	<i>million</i>	<i>of Turnover</i>
— Accommodation revenue	1,373.6	57.2%	1,413.6	57.3%
— Food and beverage sales	730.8	30.5%	770.5	31.2%
— Rendering of ancillary services	130.7	5.4%	134.7	5.5%
— Rental revenue	122.9	5.1%	104.4	4.2%
— Sales of hotel supplies	42.0	1.8%	42.5	1.8%
Total	<u>2,400.0</u>	<u>100.0%</u>	<u>2,465.7</u>	<u>100.0%</u>

Accommodation revenue

Accommodation revenue was mainly affected by the number of available rooms, occupancy rate and ADR of the Group's hotels. The accommodation revenue of Star-rated hotel operation for the year ended 31 December 2007 was approximately RMB1,373,570,000, which decreased by approximately 2.8% compared to 2006. The major reasons for the decline were as follows:

- (i) RevPAR of hotels generally declined amid keen market competition and the number of budget hotel operators also expanded quickly.
- (ii) Following the suspension of Peace Hotel and Peace Palace Hotel in April 2007 for refurbishment, accommodation revenue in 2007 decreased by approximately RMB52,611,000 and RMB17,108,000 respectively against 2006.
- (iii) Jin Jiang Tower has closed down ten floors since January 2007 for a major renovation and the operations had been significantly affected by the reduced availability of rooms and renovation works. Accommodation revenue in 2007 decreased by RMB14,409,000 or 10.8% against 2006.
- (iv) Accommodation revenue in 2007 decreased by approximately RMB29,551,000 versus 2006 as a result of Jiu Long Hotel no longer being consolidated into the Group in 2007.
- (v) The partial soft opening of Wuhan Jin Jiang in July 2007 contributed to an increase of approximately RMB11,927,000 in accommodation revenue in 2007. After the completion of room renovation, accommodation revenue in 2007 from Sofitel Hyland and Jian Guo Hotel increased by approximately RMB17,550,000 or 17.6% and approximately RMB8,701,000 or 10.0% respectively against 2006.

F&B Sales

The Group's food and beverage sales comprise primarily catering for weddings and conferences, room services for guests and other sales in bars and restaurants. Sales revenue from food and beverages sales at Star-rated hotels for the year ended 31 December 2007 as decreased by approximately RMB39,694,000 or 5.2% against 2006, mainly due to suspension of Peace Hotel and Peace Palace Hotel for refurbishment and partial renovation of Jin Jiang Tower and the deconsolidation of the results of Jiu Long Hotel.

Rendering of ancillary services

The income from rendering of ancillary services mainly represents the turnover generated from gift shop, entertainment, laundry service and other guest services. The ancillary services revenue for the year ended 31 December 2007 as decreased by approximately RMB4,033,000 or 3.0% against 2006 in tandem with the fall in occupancy rate.

Rental revenue

Turnover was generated from the leasing of space at the Group's hotels as shops, showrooms or for other purposes. The increase in 2007 of approximately RMB18,551,000 or 17.7% against 2006, mainly contributed by the increase in rent and the new lease agreements executed during the year ended 31 December 2007.

Sales of hotel supplies

Turnover from guest amenities and hotel supplies for the year ended 31 December 2007 decreased by approximately RMB486,000, or 1.1% against 2006.

(ii) Jin Jiang Inn Budget Hotels

ADR and occupancy rate of budget hotels were relatively stable as compared to Star-rated hotels. Accommodation revenue of Jin Jiang Inn Budget Hotels was mainly affected by the available rooms, occupancy rate and ADR. Turnover of Jin Jiang Inn for 2007 amounted to approximately RMB673,590,000, which increased by approximately RMB243,292,000 or 56.5% against 2006. The increase was mainly attributable to the increase in available rooms from 26 new Jin Jiang Inns opened during the year; and the increase in initial franchise fees and ongoing franchise fees received from the franchisees in consideration for the licence of the brand name rights and the provision of technical and management services. Initial and ongoing franchise fees income for the year ended 31 December 2007 amounted to approximately RMB34,558,000, representing an approximate 21.0% growth against 2006.

(iii) Star-rated Hotel Management

The external sales of Star-rated hotel management for the year ended 31 December 2007 increased by approximately RMB4,162,000 to approximately RMB42,504,000 against 2006, which represented the management fee received from hotel management services provided to Star-rated hotels owned by third parties and managed by the Group.

(iv) Food and Restaurant Operation and Others

Gross sales from the Food and restaurant operations for the year ended 31 December 2007 decreased by approximately RMB3,297,000 to approximately RMB45,913,000 against 2006. In the past, revenue of restaurants has been mainly derived from fast food chain restaurants and moon cake production, namely New Asia Café de Coral, up-scale restaurant Chinese Story and New Asia Food Company Limited. New Asia Café de Coral was formerly regarded as a jointly controlled entity of the Group and its results were proportionately consolidated into the consolidated financial statements of the Group before 1 July 2006. New Asia Café de Coral became an associated company effective from 1 July 2006. With the expansion of the Group's restaurant operation in 2007, the segment of "Restaurant" was renamed to "Food and restaurants" and absorbed moon cake production from the segment of "Others".

The Group is also engaged in other businesses, which include the provision of intra-group financial services through Jin Jiang International Finance Company Limited ("Jin Jiang International Finance") and the operation of training schools. Revenue from this segment in the year ended 31 December 2007 decreased by approximately RMB11,866,000 or 25.3% against 2006, reflecting mainly the transfer of the mooncake production business to the segment of "Food and restaurant".

Cost of Sales

Cost of sales for the year ended 31 December 2007 amounted to approximately RMB2,125,081,000 increased by approximately RMB227,824,000 or 12.0% against 2006. The increase was mainly due to the commencement of soft operation of Wuhan Jin Jiang in July and the acquisitions and expansions of Jin Jiang Inn Budget Hotels, as well as the increase in utilities costs and labour cost.

Gross Profit

For the above reasons, the Group recorded a gross profit of approximately RMB1,071,984,000 for 2007, representing a decrease of approximately RMB61,247,000 or 5.4% against 2006.

Other Income

Other income in the year ended 31 December 2007 comprises dividend income amounting to approximately RMB35,638,000 received from associated companies, including Suzhou, Wuxi and Hangzhou Kentucky Fried Chicken Company Limited and interest income amounting to approximately RMB42,217,000. In addition, the Group generated a gain of approximately RMB166,265,000 from the disposal of shares in Shanghai Pudong Development Bank, approximately RMB43,313,000 from the disposal of other available-for-sale financial assets and approximately RMB82,011,000 from the disposal of the

44% interest in Jiu Long Hotel in the year ended 31 December 2007. As a result, other income for the year ended 31 December 2007 increased by approximately RMB236,784,000 or 163.7% against 2006.

Selling and Marketing Expenses

Selling and marketing expenses, mainly comprising travel agents commission and advertising expenses were RMB159,954,000 for the year ended 31 December 2007, increased by approximately RMB19,958,000 or 14.3% against 2006 mainly due to increased business referrals from travel agents and reservation centres.

Administrative Expenses

Administrative expenses for the year ended 31 December 2007 increased by approximately RMB102,103,000 or 20.3% against 2006, reflecting mainly the commencement of Wuhan Jin Jiang and certain Jin Jiang Inn Budget Hotels in 2007, respectively and a provision of approximately RMB44,000,000 made in respect of salary and wages for non-working staff of Peace Hotel for the period from the start of 2008 until the expected reopening of the hotel.

Other Expenses

The Group's other expenses in the year ended 31 December 2007, primarily consisting of bank charges and loss on disposal of property, plant and equipment, increased by approximately RMB8,091,000 or 21.3% to approximately RMB46,014,000 against 2006.

Finance Cost

This item represents interest expenses and exchange losses for the Group's bank borrowings. The interest expenses for 2007 increased by approximately RMB8,135,000 or 9.6% against 2006. Costs increased as the Group reported foreign exchange losses of approximately RMB38,500,000 in respect of proceeds from the Company's initial public offering.

Share of Results of Associates

This item represents the share of results of associates of the Group primarily including Shanghai Kentucky Fried Chicken Company Limited and the Yangtze Hotel Company Limited. Share of results of associates for the year ended 31 December 2007 increased by approximately RMB14,150,000 or 16.9% against 2006. The growth was mainly attributable to the substantial increase in the profit of Shanghai KFC resulting in a profit contribution of approximately RMB79,958,000, an increase of approximately RMB14,120,000 or 21.4% against 2006.

Taxation

The effective tax rate for the year ended 31 December 2007 was approximately 17.2%, compared to approximately 25.2% for 2006. The decrease was mainly due to the effect of change of tax rates. The Group's management assesses that under the Corporate Income Tax Law of PRC ("the new CIT Law") and Detail Implementation Regulations ("DIR"), the Corporate income tax rate applicable to the Company and its subsidiaries, excluding the subsidiary incorporated in Hong Kong, will be 25%, which will replace the current applicable tax rates of 33% or 15%, since 1 January 2008. Since the deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, the change in the applicable tax rate affects the determination of the carrying values of the deferred income tax assets and liabilities of the Group, resulting in a net income tax gain of approximately RMB48,212,000.

Profit for the Year

As a result of the factors described above, profit for the year ended 31 December 2007 attributable to equity holders of the Company was approximately RMB383,417,000, increasing by approximately RMB48,509,000 or 14.5% against 2006.

Pledge of Assets

As at 31 December 2007, property, plant and equipment of the Group with net book amount of approximately RMB341,735,000 was pledged as securities for the Group's borrowings.

Group Liabilities and Financial Conditions

By end of 2007, the total balance of the Group's outstanding borrowings was approximately RMB502,000,000, including unsecured borrowings and secured borrowings amounted to approximately RMB250,200,000 and RMB251,800,000 respectively. Out of the total amount, RMB71,000,000 is to be repayable within one year.

The Group has fulfilled all covenants under its borrowing agreements. Outstanding borrowings as at 31 December 2007 are analysed as follows:

	Maturity of contracted borrowings outstanding at 31 December 2007				Total
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
	<i>(RMB'000)</i>				
Borrowings					
Bank borrowings (<i>RMB</i>)	71,000	206,000	165,750	30,000	472,750
Bank borrowings (<i>USD</i>)	—	29,218	—	—	29,218
Total	<u>71,000</u>	<u>235,218</u>	<u>165,750</u>	<u>30,000</u>	<u>501,968</u>

Treasury Management

Cash and cash equivalents as at 31 December 2007 and 2006 were approximately RMB1,943,291,000 and approximately RMB3,516,893,000 respectively, reflecting strong cash flow. The gearing ratio reduced from 19.3% in 2006 to 3.6% in 2007 as contributed by early repayment of bank borrowings.

Interest Rate Risk Management

The interest rates for a majority of the Group's borrowings are set at 90% of the benchmark borrowing interest rate published by the People's Bank of China, thereby lowering the Group's loan interest expenses.

Jin Jiang International Finance, a subsidiary of the Company, acts as a non-banking financial institution within the Group. In order to centralise the cash resources and improve the efficiency of the fund, the subsidiaries, jointly controlled entities and associates of the Company deposit most of their cash in the accounts with Jin Jiang International Finance and borrow from Jin Jiang International Finance as first priority in case of fund shortage. As a result, the interest expenses of external bank borrowings are decreased.

Foreign Exchange Rate Risk Management

Most bank loans of the Group were denominated in RMB. Except for the listing proceeds, cash and cash equivalents were denominated in RMB. RMB loans amounted to RMB472,750,000, accounting for approximately 94.2% of the Group's loan portfolio. US Dollar loans amounted to US\$4,000,000 (equivalent to RMB29,218,000), accounting for approximately 5.8% of our total loan amount. The Group's income and expenditure items were basically denominated in RMB. After receiving the listing proceeds, the Group stepped up liaison with regulatory authorities such as the foreign exchange control departments to expedite exchange settlement.

The Company completed the exchange settlement of all listing proceeds in the first half of 2007. The average exchange rate at which the settlement was conducted was HK\$1: RMB0.99217. The median exchange rate for the exchange of Hong Kong dollars versus RMB on 31 December 2007 was 1:0.9364. The Company has avoided major exchange losses and lowered its financial expense with its advanced completion of exchange settlement for listing proceeds.

The Company will actively consider the use of relevant financial tools to manage interest rate risks and currency risks in line with its business development.

Available-for-sale Financial Assets

The Group continued to dispose of its available-for-sale financial assets. During the year, 6,000,000 shares in Shanghai Pudong Development Bank were disposed of, realising a gain of approximately RMB166,265,000 and the net gain after deducting income tax expense and minority interests amounted to approximately RMB126,234,000.

As at 31 December 2007, available-for-sale financial assets held by the Group increased by 1,530.6% to RMB4,831,463,000 comprising: 4,925,000 shares in Shanghai Pudong Development Bank (600000.SH), 13,148,800 shares in Catic Real Estate (中航地產) (000043.SZ), 100,637,500 shares in Changjiang Securities (000783.SZ) and 1,000,000 shares in QJD (全聚德) (002186.SZ). The market values of the aforesaid holdings in shares have increased substantially over their historical costs.

Human Resources and Training

The Group runs a professional training school to provide professional training and nurture industry professionals, where education and training are based on the actual context of hotel management. The Company has set up the Les Roches Jin Jiang International Hotel Management College in partnership with GESHOTEL-Les Roches Swiss Hotel Association School of Hotel Management, which provides hotel managers and future hotel management with various types and levels of Star-rated hotel training courses. In 2007, the Hotel Management College expanded its enrolment for full-time students and 199 management staff at intermediate or senior levels were assigned by the Group in one-year or six-month management trainee courses.

In staff training, various management personnel were trained at Jin Jiang International Management School with an emphasis on their ability to adopt the development trends in the industry. The quality of management staff of our hotels was improved through short-term and medium-term training courses for middle and senior management staff held during the year with a total enrolment of over 2,400 attendees. Four training sessions in breakfast buffet were held to improve the service quality buffet products offered by the Group's hotels.

To cater to the ongoing expansion of its hotel chain, Jin Jiang Inn further improved its appraisal system and remuneration management standards, as well as its staff career development regime. The training system was enhanced to provide staff with multi-faceted training. In 2007, 10 training sessions were organised for over 200 intermediate and senior management staff from budget hotels and 38 training sessions for budget hotel launch were organised with a total enrolment of 1,000 attendees. The training network comprising the headquarter, regional, district and outlet levels was generally enhanced.

To comply with the nation's new labour contract law, the Group made full preparations in 2007 to ensure stable and orderly personnel management following the implementation of the new law.

As at 31 December 2007, the Group had approximately 18,800 employees, an increase of about 8.7% headcounts over the year. Employee benefit expense increased by RMB146,872,000 or 17.6% against 2006. The remuneration package for existing employees comprises the basic salary, discretionary bonus and social security contributions. No share option scheme has been set up so far.

Social Responsibility

The Company actively participates in community service. The Group's employees provides voluntary services such as traffic patrol during peak hours. In 2007, the Company actively participated in charity donation activities in Shanghai to combat the cold weather (“送溫暖、獻愛心”), organising staff to donate close to RMB130,000 in cash and other items such as clothing and blankets to people in poverty or living in areas inflicted by disasters.

In 2007, the Company's hotels completed reception tasks in high quality for a number of important activities, including the Special Olympics, Women's World Cup, council meeting of the Africa Development Bank and ICSC conference of the United Nations. The website of investee 上海錦江德爾互動有限公司 (www.hubs1.net) was selected by the organising committee of the Special Olympics to be the sole provider of online hotel reservation for the event, and its free reservation service to the families of athletes from 163 countries was highly acclaimed. In addition, Jin Jiang Inn made donations equivalent to RMB250,000 to the organising committee of the Special Olympics.

The Group seeks to observe environment protection values in its business operation. Waste discharge and the recycling of guestroom amenities have been properly processed, while coal-fired boilers and diesel boilers have been converted to oil boilers and gas boilers, respectively. Additives are used in fuel oil to enhance conservation and reduce pollution.

The Company has always placed a strong emphasis on food hygiene and safety for customers and staff. An effective manual on food safety standards and control systems has been published for application in the Group's hotels.

The Company regards the improvement of staff remuneration and welfare as a matter of priority. In 2007, the basic salaries for subsidiary staff were increased on the basis of staff cost, remuneration welfare estimates and work plans, together with the Company's financial performance, CPI index and other salary benchmarks for the industry. The Company also formulated a regime for the negotiation of labour contracts and salary increment.

Energy Conservation

During the year, the Company focused on the conservation of electricity, oil and water and achieved solid results in energy conservation and environmental protection. The Company promoted the use of natural gas in place of diesel oil and the use of oil conservation and environment-friendly additives. Consumption of the boiler system was lowered by implementing heat recycling at laundries and the use of solar energy, while consumption of the air-conditioning system was lowered with the use of frequency modification and fuzzy logic controls in the cooling units and systems. With the application of frequency modification units and soft start-up units, energy consumption of the pump systems was lowered. The Company was also actively exploring the new technology of using geothermal pumps to supply heat and refrigeration for the hotels. The technology was under trial run at a subsidiary in 2007 and is expected to be introduced in other hotels in future. Meanwhile, the Company was also actively engaged in the development of "Green Tourist Hotels".

Corporate Strategies and Future Outlook

The Group has implemented various strategies to sustain long-term development, which include the strategic redeployment of hotel assets, expansion of budget hotels, upgrade of landmark hotels, brand building strategy, hotel management standardisation and enhancement of market leadership.

In the case of the operation of Star-rated hotels, the Group plans to upgrade and renovate the facilities and exterior/interior decoration of landmark hotels and luxury hotels which have been in operation for decades. For budget hotels, the strategy will continue to focus on the expansion in the number of outlets and geographical presence in China through organic growth and franchising. In terms of hotel management, more efforts will be devoted to brand building, standardisation and talent recruitment to improve our management quality and acquire more contracts for the operation of Star-rated hotels.

The Group benefits from its competitive advantages in hotel ownership and hotel management as one of China's leading hotel investors and operators. In its dual role as owner and manager, the Company is well-positioned to strengthen control over its hotels while realising potential value growth for its hotel properties. The key business strategy of the Group is to enhance future profitability through the redeployment of funds to rationalise the network and distribution of its hotels.

The expansion plan of Jin Jiang Inn will remain unchanged. The Company expects that the number of Jin Jiang Inn Budget Hotels will increase to approximately 600 by 2010 (being about 400 inns in operation and 200 inns under development).

The Group will continue to build and strengthen its six major departments which are information, finance, purchasing, marketing, human resources and management systems. Innovations will be explored in six aspects, namely business models, hotel networks, asset allocation, policies and systems, management and corporate culture. Core competitive advantages of Jin Jiang Hotels will be enhanced in terms of brand building, networking, human resources and management systems, so that it will develop into a leading hotel operator and manager in China with international competitive advantages.

(C) INDEBTEDNESS STATEMENT

At the close of business on 31 July 2010, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had total borrowings of RMB2,071,637,000 as set forth below:

	Secured <i>RMB'000</i>	Unsecured <i>RMB'000</i>	Total <i>RMB'000</i>
Bank borrowings	833,036	310,118	1,143,154
Related party borrowings	—	901,563	901,563
Finance lease liabilities	<u>26,920</u>	<u>—</u>	<u>26,920</u>
	<u>859,956</u>	<u>1,211,681</u>	<u>2,071,637</u>

Among the secured bank borrowings, an amount of US\$102,852,000 (equivalent to RMB697,338,000) was secured by IHR's assets with carrying amount of US\$171,960,000 (equivalent to RMB1,165,890,000), an amount of US\$1,053,000 (equivalent to RMB7,149,000) was secured by the restricted cash with carrying amount of RMB7,149,000, and the rest of US\$18,960,000 (equivalent to RMB128,549,000) was guaranteed by Jin Jiang International.

Finance lease liabilities of RMB26,920,000 were effectively secured as the rights to the leased assets with carrying amount of RMB26,194,000 revert to the lessor in the event of default.

As at the close of business on 31 July 2010, the Enlarged Group provided guarantees of RMB28,500,000 to the related parties of the Enlarged Group in respect of these parties' secured borrowings from certain banks

Save as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of

borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities and guarantees outstanding at the close of business on 31 July 2010.

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Enlarged Group since 31 July 2010 and up to the Latest Practicable Date.

(D) WORKING CAPITAL SUFFICIENCY

Taking into account the expected completion of the Acquisitions in January 2011 and the financial resources available to the Enlarged Group, including the internally generated funds and the available banking facilities, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

(E) MATERIAL ADVERSE CHANGES

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2009, the date to which the latest published audited annual financial statements of the Group were made up.



30 September 2010

The Directors

上海錦江國際實業投資股份有限公司

Shanghai Jin Jiang International Industrial Investment Co., Ltd.

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to 上海錦江國際實業投資股份有限公司 (Shanghai Jin Jiang International Industrial Investment Co., Ltd.) (“Jin Jiang Investment”) and its subsidiaries (hereinafter collectively defined to as the “Jin Jiang Investment Group”) for each of the three years ended 31 December 2009 and the six months ended 30 June 2010 (the “Relevant Period”), for the inclusion in the circular dated 30 September 2010 issued by 上海錦江國際酒店(集團)股份有限公司 (Shanghai Jin Jiang International Hotels (Group) Company Limited) (the “Jin Jiang International Hotels”) in connection with its proposed acquisition of (i) 212,586,460 shares in Jin Jiang Investment; and (ii) 66,556,270 shares in 上海錦江國際旅遊股份有限公司 (Shanghai Jin Jiang International Travel Co., Ltd.) (“Jin Jiang Travel”) from 錦江國際(集團)有限公司 (Jin Jiang International Holdings Company Limited*) (“Jin Jiang International”).

Jin Jiang Investment is a joint stock limited company established in the People’s Republic of China (the “PRC”). The Jin Jiang Investment Group is engaged in provision of vehicle operating services, international transportation services, hotel management business and trading of automobiles. The shares of Jin Jiang Investment are listed in Shanghai Stock Exchange (“SSE”) since 1993.

The direct and indirect interests in the subsidiaries held by Jin Jiang Investment as at 31 December 2007, 31 December 2008, 31 December 2009, 30 June 2010 and the date of this report, are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Fully paid and registered capital as at the date of this report	Attributable equity interest held by Jin Jiang Investment as at										Principal activities
			2007		31 December 2008		2009		30 June 2010		the date of this report		
			Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	
上海錦海捷亞物流管理有限公司 (Shanghai JHJ Logistic Management Co., Ltd.*) (“JHJ Logistic”)	PRC 21 January 2005	RMB80,000,000	65%	—	65%	—	65%	—	65%	—	65%	—	Provision of logistics management services
上海錦江國際低溫物流發展有限公司 (Shanghai Jinjiang International Cold Logistics Development Co., Ltd.*) (“Jinjiang Cold Logistics”) (note h)	PRC 28 August 2006	RMB75,000,000	95%	5%	95%	5%	95%	5%	95%	5%	95%	5%	Provision of logistics management and relevant business services

APPENDIX IIA

ACCOUNTANTS' REPORT OF
THE JIN JIANG INVESTMENT GROUP

Name of subsidiary	Place and date of incorporation/ establishment	Fully paid and registered capital as at the date of this report	Attributable equity interest held by Jin Jiang Investment as at										Principal activities
			2007		2008		2009		30 June 2010		the date of this report		
			Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	
大連錦江汽車租賃有限公司 (Dalian Jin Jiang Automobile Rental Co., Ltd.)* ("Dalian Automobile Rental")##	PRC 3 December 2008	RMB5,000,000	N/A (note a)	N/A (note a)	—	100%	—	100%	—	100%	—	100%	Provision of automobile rental services
上海錦江機動車駕駛員培訓有限公司 ("Shanghai Jin Jiang Automobile Driver Training Co., Ltd.")* ("Jin Jiang Automobile Driver Training")##	PRC 5 December 2007	RMB5,000,000	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of automobile driver training services
上海錦江億馬汽車銷售服務有限公司 (Shanghai Jin Jiang Yi Ma Automobile Sales Co., Ltd.)* ("Yi Ma Automobile Sales")##	PRC 20 July 2009	RMB5,000,000	N/A (note b)	N/A (note b)	N/A (note b)	N/A (note b)	—	100%	—	100%	—	100%	Trading of automobiles and related parts
上海錦江汽車服務有限公司 (Shanghai Jin Jiang Automobile Service Co., Ltd.)* ("Jin Jiang Automobile Service")	PRC 3 May 1993	RMB338,486,272	95%	—	95%	—	95%	—	95%	—	95%	—	Provision of vehicle rental services
上海錦江商旅汽車服務股份有限公司 (Shanghai Jin Jiang Business and Travel Auto Services Co., Ltd.)* ("Jin Jiang Business and Travel Auto Services")##	PRC 25 December 2001	RMB70,000,000	—	50% (note g)	—	50% (note g)	—	80% (note c)	—	80%	—	80%	Provision of vehicle rental services
上海錦江太平洋客運服務有限公司 (Shanghai Pacific Passenger Transport Service Co., Ltd.)* ("Pacific Passenger Transport Service")##	PRC 16 January 1990	RMB2,000,000	—	100% (note g)	—	100% (note g)	—	100% (note c)	—	100%	—	100%	Provision of transportation services
上海錦江高速客運有限公司 (Shanghai Jin Jiang High-speed Transportation Co., Ltd.)* ("Jin Jiang High-speed Transportation")##	PRC 13 November 1998	RMB10,000,000	—	100% (note g)	—	100% (note g)	—	100% (note c)	—	100%	—	100%	Provision of transportation services
上海商旅投資諮詢有限公司 (Shanghai Business and Travel Investment Consulting Co., Ltd.)* ("Shanghai Business and Travel Investment Consulting")##	PRC 4 July 2002	RMB16,000,000	—	100% (note g)	—	100% (note g)	—	100% (note c)	—	100%	—	100%	Provision of investment and management services
上海浦東友誼汽車服務有限公司 (Shanghai Pudong Friendship Automobile Service Co., Ltd.)* ("Pudong Friendship Automobile Service")##	PRC 26 April 1993	RMB5,610,000	—	87.83%	—	87.83%	—	87.83%	—	87.83%	—	87.83%	Provision of vehicles repair and maintenance services
上海錦江汽車租賃有限公司 (Shanghai Jin Jiang Automobile Leasing Co., Ltd.)* ("Jin Jiang Automobile Leasing")##	PRC 3 July 1996	RMB3,300,000	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of automobile rental services
上海中油錦友油晶經營有限公司 (Shanghai Zhong You Jin You Oil Products Co., Ltd.)* ("Zhong You Jin You Oil Products")##	PRC 4 January 2000	RMB2,000,000	—	76%	—	76%	—	76%	—	76%	—	76%	Trading of consumables
上海嘉定錦江汽車服務有限公司 (Shanghai Jiading Jin Jiang Automobile Services Co., Ltd.)* ("Jiading Jin Jiang Automobile Services")##	PRC 16 April 2001	RMB5,000,000	—	70%	—	70%	—	70%	—	70%	—	70%	Provision of vehicle rental service

APPENDIX IIA

ACCOUNTANTS' REPORT OF
THE JIN JIANG INVESTMENT GROUP

Name of subsidiary	Place and date of incorporation/ establishment	Fully paid and registered capital as at the date of this report	Attributable equity interest held by Jin Jiang Investment as at										Principal activities
			2007		2008		2009		30 June 2010		the date of this report		
			Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	
上海錦佳汽車貿易有限公司 (Shanghai Jin Jia Automobile Trading Co., Ltd.)* ("Jin Jia Automobile Trading")##	PRC 23 November 1994	RMB10,100,000	—	100%	—	100%	—	100%	—	100%	—	100%	Trading of automobile and related parts
上海錦江豐田汽車銷售服務有限公司 (Shanghai Toyota Automotive Sales Co., Ltd.)* ("Shanghai Toyota Automotive Sales")##	PRC 13 September 2004	RMB10,000,000	—	70%	—	70%	—	70%	—	70%	—	70%	Trading of automobile and related parts
上海錦振電子技術有限公司 (Shanghai Jinzhen Electronics Technology Co., Ltd.)* ("Jinzhen Electronics Technology")##	PRC 13 September 2004	RMB800,000	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of consulting services on vehicles and spare parts
上海花樣年華廣告有限公司 (Shanghai Colorful Day Advertising Co., Ltd.)* ("Shanghai Colorful Day Advertising")##	PRC 19 December 1995	RMB800,000	—	80%	—	80%	—	80%	—	80%	—	80%	Provision of advertising services
上海豐田汽車維修有限公司 (Shanghai Toyota Automobile Repair Co., Ltd.)* ("Shanghai Toyota Automobile Repair")##	PRC 31 October 1986	RMB850,000	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of automobile repair and maintenance services
上海振星出租汽車管理有限公司 (Shanghai Zhenxing Taxi Management Co., Ltd.)* ("Shanghai Zhenxing Taxi Management")##	PRC 5 April 2005	RMB100,000	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of management services for car rental business
上海津悅汽車諮詢服務有限公司 (Shanghai Jinyue Automobile Consulting Co., Ltd.)* ("Jinyue Automobile Consulting")##	PRC 13 July 2005	RMB300,000	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of consulting and management services
上海錦茂汽車銷售服務有限公司 (Shanghai Jinmao Automobile Distribution and Services Co., Ltd.)* ("Jinmao Automobile Distribution and Services")##	PRC 17 January 2006	RMB10,200,000	—	50% (note g)	—	50% (note g)	—	50% (note g)	—	50% (note g)	—	50% (note g)	Trading of automobile and related parts
上海錦用汽車維修服務有限公司 (Shanghai Jinyong Automobile Repair Service Co., Ltd.)* ("Jinyong Automobile Repair Service")##	PRC 24 January 2007	RMB10,000,000	—	80%	—	80%	—	80%	—	80%	—	80%	Provision of automobile repair and maintenance services
上海南浦大橋食品批發交易市場經營管理有限公司 (Shanghai Nanpu Bridge Food Wholesale Market Management Co., Ltd.)* ("Nanpu Bridge Food Wholesale Market Management")	PRC 13 July 2004	RMB300,000	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of marketing and management services for agricultural products
上海吳涇冷藏有限公司 (Shanghai Wujing Refrigerated Co., Ltd.)* ("Wujing Refrigerated")	PRC 1 November 2001	RMB50,000,000	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of warehousing and logistic management service
上海吳淞羅吉冷藏有限公司 (Shanghai Wusong luoji Refrigerated Co., Ltd.)* ("Wusong luoji Refrigerated")	PRC 4 March 1992	RMB8,250,000	—	100%	—	100%	—	100%	—	100%	—	100%	Provision of transportation services

Name of subsidiary	Place and date of incorporation/ establishment	Fully paid and registered capital as at the date of this report	Attributable equity interest held by Jin Jiang Investment as at										Principal activities
			2007		31 December 2008		2009		30 June 2010		the date of this report		
			Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	
上海錦江耀華出租汽車有限公司 (Shanghai Jin Jiang Yaohua Taxi Services Co., Ltd.) ^{##} ("Jin Jiang Yaohua Taxi Services")	PRC 17 August 1993	RMB2,220,000	N/A (note d)	N/A (note d)	—	100% (note d)	—	100%	—	100%	—	100%	Provision of transportation services
上海錦江公共交通有限公司 (Shanghai Jin Jiang Public Traffic Co., Ltd.) ("Jin Jiang Public Traffic") ^{##}	PRC 22 May 2002	RMB10,000,000	—	100%	—	100%	—	— (note e)	—	—	—	—	Provision of public transportation services
上海日冷食品有限公司 (Shanghai Nichirei Food Co., Ltd.) ("Shanghai Nichirei Food") [^]	PRC 15 June 1988	JPY410,000,000	—	50% (note g)	—	50% (note g)	—	— (note e)	—	—	—	—	Food processing
上海尚海食品有限公司 (Shanghai Shanghai Food Co., Ltd.) ("Shanghai Food") (note f)	PRC 10 February 2010	RMB25,000,000	—	—	—	—	—	—	—	100%	—	100%	Trading of food

[^] Except for Shanghai Nichirei Food which was a sino foreign enterprise, others are domestic limited liability enterprises.

^{##} It was a subsidiary of Jin Jiang Automobile Service.

Notes:

- (a) The entity was established during the year ended 31 December 2008.
- (b) The entity was established during the year ended 31 December 2009.
- (c) During the year ended 31 December 2009, Jin Jiang Automobile Service acquired additional 30% equity interest in Jin Jiang Business and Travel Auto Services and Jin Jiang Business and Travel Auto Services became a 80%-owned subsidiary of Jin Jiang Automobile Service. Therefore, the directly owned subsidiaries of Jin Jiang Business and Travel Auto Services, namely Pacific Passenger Transport Service, Jin Jiang High-speed Transportation and Shanghai Business and Travel Investment Consulting, became 80%-owned indirect subsidiaries of Jin Jiang Automobile Service during the year ended 31 December 2009.
- (d) During the year ended 31 December 2008, Jin Jiang Automobile Service acquired additional 50% equity interest in the entity which was then a 50%-owned jointly-controlled entity of the Jin Jiang Investment Group. As a result, it became a wholly-owned subsidiary of Jin Jiang Automobile Service.
- (e) During the year ended 31 December 2009, the Jin Jiang Investment Group disposed of equity interests of the entity.
- (f) The entity was a legal entity with fully paid and registered capital of RMB30,000,000 immediately prior to the Relevant Period. During the year ended 31 December 2007, it was deregistered and became a branch of Jinjiang Cold Logistics. During the six months ended 30 June 2010, the branch was registered as a legal entity with fully paid and registered capital of RMB25,000,000.
- (g) The Jin Jiang Investment Group was able to control the entity as certain other shareholders have agreed in writing to follow the voting of the Jin Jiang Investment Group so to enable it to govern the financial and operating policy of the entity so as to obtain benefits from the entity's activities.

- (h) During the six months ended 30 June 2010, the Jin Jiang Investment Group entered into an agreement with an independent third party to dispose of 49% equity interest in the entity at a consideration of approximately RMB90 million. At 30 June 2010, the transaction has not yet been completed as the precedent conditions were not yet fulfilled. If the transaction would be completed on 30 June 2010, the estimated amount of excess of consideration over the share of net assets of the entity by the Jin Jiang Investment Group of approximately RMB49 million would be treated as equity transaction.

* *The English names are for identification purpose only*

Jin Jiang Investment and its subsidiaries adopted 31 December as the financial year end date.

The statutory financial statements of Jin Jiang Investment and its subsidiaries for the three years ended 31 December 2009 or since their respective dates of establishment, where this is a shorter period, were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by the following certified public accountants registered in the PRC:

Name of company	Financial periods	Name of auditor
Jin Jiang Investment	For each of the years ended 31 December 2007, 2008 and 2009	德勤華永會計師事務所 有限公司 Deloitte Touche Tohmatsu CPA Ltd.
JHJ Logistic	For each of the years ended 31 December 2007, 2008 and 2009	德勤華永會計師事務所 有限公司 Deloitte Touche Tohmatsu CPA Ltd.
Jinjiang Cold Logistics	For each of the years ended 31 December 2007, 2008 and 2009	立信會計師事務所有限公司 BDO CHINA SHU LUN PAN Certified Public Accountants Co., Ltd.
Jin Jiang Automobile Driver Training	For the period from 5 December 2007 to 31 December 2008 and the year ended 31 December 2009	上海復興明方會計師事務所 有限公司 Fu Xing Ming Fang CPA Ltd.
Jin Jiang Automobile Service	For each of the years ended 31 December 2007, 2008 and 2009	德勤華永會計師事務所 有限公司 Deloitte Touche Tohmatsu CPA Ltd.

Name of company	Financial periods	Name of auditor
Jin Jiang Business and Travel Auto Services	For each of the years ended 31 December 2007, 2008 and 2009	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.
Pacific Passenger Transport Service	For each of the years ended 31 December 2007, 2008 and 2009	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.
Jin Jiang High-speed Transportation	For each of the years ended 31 December 2007, 2008 and 2009	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.
Shanghai Business and Travel Investment Consulting	For each of the years ended 31 December 2007, 2008 and 2009	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.
Pudong Friendship Automobile Service	For each of the years ended 31 December 2007 and 2008	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.
	For the year ended 31 December 2009	上海復興明方會計師事務所有限公司 Fu Xing Ming Fang CPA Ltd.
Jin Jiang Automobile Leasing	For each of the years ended 31 December 2007, 2008 and 2009	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.
Zhong You Jin You Oil Products	For each of the years ended 31 December 2007, 2008 and 2009	上海復興明方會計師事務所有限公司 Fu Xing Ming Fang CPA Ltd.
Jiading Jin Jiang Automobile Services	For each of the years ended 31 December 2007, 2008 and 2009	上海復興明方會計師事務所有限公司 Fu Xing Ming Fang CPA Ltd.

Name of company	Financial periods	Name of auditor
Jin Jia Automobile Trading	For each of the years ended 31 December 2007 and 2008	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.
	For the year ended 31 December 2009	上海復興明方會計師事務所有限公司 Fu Xing Ming Fang CPA Ltd.
Shanghai Toyota Automotive Sales	For each of the years ended 31 December 2007 and 2008	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.
	For the year ended 31 December 2009	上海復興明方會計師事務所有限公司 Fu Xing Ming Fang CPA Ltd.
Jinzhen Electronics Technology	For each of the years ended 31 December 2007, 2008 and 2009	上海復興明方會計師事務所有限公司 Fu Xing Ming Fang CPA Ltd.
Shanghai Colorful Day Advertising	For each of the years ended 31 December 2007, 2008 and 2009	上海復興明方會計師事務所有限公司 Fu Xing Ming Fang CPA Ltd.
Shanghai Toyota Automobile Repair	For each of the years ended 31 December 2007 and 2008	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.
	For the year ended 31 December 2009	上海復興明方會計師事務所有限公司 Fu Xing Ming Fang CPA Ltd.
Shanghai Zhenxing Taxi Management	For each of the years ended 31 December 2007, 2008 and 2009	上海復興明方會計師事務所有限公司 Fu Xing Ming Fang CPA Ltd.

Name of company	Financial periods	Name of auditor
Jinyue Automobile Consulting	For each of the years ended 31 December 2007, 2008 and 2009	上海復興明方會計師事務所有限公司 Fu Xing Ming Fang CPA Ltd.
Jinmao Automobile Distribution and Services	For each of the years ended 31 December 2007, 2008 and 2009	上海復興明方會計師事務所有限公司 Fu Xing Ming Fang CPA Ltd.
Jinyong Automobile Repair Service	For the period from 24 January 2007 to 31 December 2007 and each of the years ended 31 December 2008 and 2009	上海復興明方會計師事務所有限公司 Fu Xing Ming Fang CPA Ltd.
Nanpu Bridge Food Wholesale Market Management	For each of the years ended 31 December 2007, 2008 and 2009	立信會計師事務所有限公司 BDO CHINA SHU LUN PAN Certified Public Accountants Co., Ltd.
Wujing Refrigerated	For each of the years ended 31 December 2007, 2008 and 2009	立信會計師事務所有限公司 BDO CHINA SHU LUN PAN Certified Public Accountants Co., Ltd.
Wusong luoji Refrigerated	For each of the years ended 31 December 2007, 2008 and 2009	立信會計師事務所有限公司 BDO CHINA SHU LUN PAN Certified Public Accountants Co., Ltd.
Jin Jiang Yaohua Taxi Services	For each of the years ended 31 December 2008 and 2009	上海復興明方會計師事務所有限公司 Fu Xing Ming Fang CPA Ltd.
Jin Jiang Public Traffic	For each of the years ended 31 December 2007 and 2008	德勤華永會計師事務所有限公司 Deloitte Touche Tohmatsu CPA Ltd.

Name of company	Financial periods	Name of auditor
Shanghai Nichirei Food	For each of the years ended 31 December 2007 and 2008	立信會計師事務所有限公司 BDO CHINA SHU LUN PAN Certified Public Accountants Co., Ltd.

No audited financial statements have been prepared for Jin Jiang Investment and its subsidiaries for the six months ended 30 June 2010 as there is no such statutory requirement.

No audited financial statements have been prepared for Dalian Automobile Rental since its date of establishment as there is no such statutory requirement. No audited financial statements have been prepared for Yi Ma Automobile Sales since its date of establishment as it has not carried on any business. No audited financial statements have been prepared for Shanghai Food as it was newly established during the six months ended 30 June 2010. For the purpose of this report, we have, however, reviewed all the relevant transactions of Dalian Automobile Rental, Yi Ma Automobile Sales and Shanghai Food since their respective dates of establishment to the date of this report and carried out such procedures as we considered necessary for inclusion in the Financial Information relating to the Jin Jiang Investment Group.

For the purpose of this report, the directors of Jin Jiang Investment have prepared the consolidated financial statements of the Jin Jiang Investment Group for the six months ended 30 June 2010 in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “30 June 2010 Financial Information”). We have undertaken an independent audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures on the statutory audited consolidated financial statements of the Jin Jiang Investment Group for the three years ended 31 December 2009 which were prepared under New China Accounting Standards and audited under China Standards on Auditing and the 30 June 2010 Financial Information (collectively referred to as the “Underlying Financial Statements”) as are necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Jin Jiang Investment Group for the Relevant Period as set out in this report has been prepared from the Underlying Financial Statements, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Jin Jiang Investment who approved their issue. The directors of Jin Jiang Investment are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Jin Jiang Investment and the Jin Jiang Investment Group as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, and of the consolidated results and consolidated cash flows of the Jin Jiang Investment Group for the Relevant Period.

The comparative consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Jin Jiang Investment Group for the six months ended 30 June 2009 together with the notes thereon have been extracted from the Group's unaudited consolidated financial statements for the same period (the "30 June 2009 Financial Information") which was prepared by the directors of Jin Jiang Investment solely for the purpose of this report. We have reviewed the 30 June 2009 Financial Information in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. Our review of the 30 June 2009 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 30 June 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with Hong Kong Financial Reporting Standards.

I. FINANCIAL INFORMATION

Consolidated Income Statements

	NOTES	Year ended 31 December			Six months ended 30 June	
		2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000	2010 RMB'000
					(Unaudited)	
Turnover	8	3,025,354	3,111,826	2,542,985	1,209,759	1,501,864
Cost of sales		<u>(2,454,360)</u>	<u>(2,538,364)</u>	<u>(1,992,838)</u>	<u>(935,738)</u>	<u>(1,193,316)</u>
Gross profit		570,994	573,462	550,147	274,021	308,548
Investment income	9	13,751	41,084	30,698	21,313	12,447
Other gains and losses	10	50,937	60,474	78,227	36,003	22,374
Selling and marketing expenses		(203,655)	(207,922)	(200,115)	(99,209)	(106,668)
Administrative expenses		(141,177)	(145,425)	(169,882)	(75,458)	(83,894)
Share of results of associates	23	139,729	121,961	74,789	26,708	46,683
Finance costs		<u>(4,156)</u>	<u>(3,490)</u>	<u>(1,322)</u>	<u>(935)</u>	<u>(2,757)</u>
Profit before tax		426,423	440,144	362,542	182,443	196,733
Income tax expense	11	<u>(38,747)</u>	<u>(48,311)</u>	<u>(47,700)</u>	<u>(24,595)</u>	<u>(27,536)</u>
Profit for the year/period	13	<u>387,676</u>	<u>391,833</u>	<u>314,842</u>	<u>157,848</u>	<u>169,197</u>
Profit for the year/period attributable to:						
— Shareholders of Jin Jiang Investment		317,304	327,816	274,142	140,059	142,964
— Non-controlling interests		<u>70,372</u>	<u>64,017</u>	<u>40,700</u>	<u>17,789</u>	<u>26,233</u>
		<u>387,676</u>	<u>391,833</u>	<u>314,842</u>	<u>157,848</u>	<u>169,197</u>
Earnings per share						
— Basic (RMB)	15	<u>0.58</u>	<u>0.59</u>	<u>0.50</u>	<u>0.25</u>	<u>0.26</u>

Consolidated Statements of Comprehensive Income

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year/period	<u>387,676</u>	<u>391,833</u>	<u>314,842</u>	<u>157,848</u>	<u>169,197</u>
Other comprehensive income					
Fair value gain (loss) on available-for-sale financial assets	193,102	(124,861)	102,267	82,621	(44,686)
Cumulative gain reclassified from equity on disposal of available-for-sale financial assets	(18,769)	(8,837)	(22,750)	(17,631)	(8,595)
Income tax relating to fair value change of available-for-sale financial assets	(50,667)	30,875	(25,109)	(20,655)	11,198
Income tax relating to reclassification of other comprehensive income upon disposal of available-for-sale financial assets	<u>4,925</u>	<u>2,185</u>	<u>5,586</u>	<u>4,408</u>	<u>2,154</u>
Total comprehensive income for the year/period (net of tax)	<u><u>516,267</u></u>	<u><u>291,195</u></u>	<u><u>374,836</u></u>	<u><u>206,591</u></u>	<u><u>129,268</u></u>
Total comprehensive income attributable to:					
— Shareholders of Jin Jiang Investment	445,895	227,178	334,136	188,802	103,035
— Non-controlling interests	<u>70,372</u>	<u>64,017</u>	<u>40,700</u>	<u>17,789</u>	<u>26,233</u>
	<u><u>516,267</u></u>	<u><u>291,195</u></u>	<u><u>374,836</u></u>	<u><u>206,591</u></u>	<u><u>129,268</u></u>

Consolidated Statements of Financial Position

	NOTES	The Jin Jiang Investment Group				Jin Jiang Investment			
		As at 31 December		At 30 June		As at 31 December		At 30 June	
		2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
NON-CURRENT ASSETS									
Property, plant and equipment	17	1,028,397	967,051	942,417	1,103,432	52,081	49,269	46,317	44,996
Land use rights	18	133,767	131,662	129,153	127,898	995	958	922	904
Investment properties	19	22,796	24,201	23,595	23,292	21,939	21,497	21,054	20,833
Goodwill	20	48,178	48,178	48,178	48,178	—	—	—	—
Intangible assets	21	107,522	119,657	201,151	214,915	—	—	—	—
Interests in subsidiaries	25	—	—	—	—	685,136	685,136	685,136	685,136
Interests in associates	23	255,036	244,407	226,281	223,762	1,615	—	—	—
Interests in jointly controlled entities	24	—	—	—	—	125,650	125,650	125,650	125,650
Available-for-sale financial assets	27	337,182	204,843	273,080	208,168	289,944	170,963	233,074	173,542
Deferred income tax assets	35	2,895	2,046	1,856	2,063	1,864	1,791	1,741	1,719
Amount due from an associate	28	16,922	12,691	8,461	8,461	—	—	—	—
Deposits paid for acquisition of available-for-sale financial assets		15,263	15,263	15,263	15,263	15,263	15,263	15,263	15,263
Deposits paid for acquisition of property, plant and equipment	44(b)	21,882	26,917	21,335	3,547	—	—	—	—
		<u>1,989,840</u>	<u>1,796,916</u>	<u>1,890,770</u>	<u>1,978,979</u>	<u>1,194,487</u>	<u>1,070,527</u>	<u>1,129,157</u>	<u>1,068,043</u>
CURRENT ASSETS									
Inventories	29	43,695	49,764	46,961	54,792	135	100	105	82
Trade and other receivables	30	336,470	281,420	318,813	411,508	240	1,102	575	32,620
Amount due from an associate	28	4,231	4,231	4,231	4,231	—	—	—	—
Amounts due from subsidiaries	26	—	—	—	—	59,528	43,212	90,528	40,185
Available-for-sale financial assets	27	—	—	—	16,555	—	—	—	16,555
Restricted cash	31	—	—	—	9,874	—	—	—	—
Cash and cash equivalents	31	532,824	743,640	673,976	774,787	173,151	260,263	330,386	381,018
		<u>917,220</u>	<u>1,079,055</u>	<u>1,043,981</u>	<u>1,271,747</u>	<u>233,054</u>	<u>304,677</u>	<u>421,594</u>	<u>470,460</u>
Assets classified as held for sale	16	—	5,067	—	—	—	—	—	—
		<u>917,220</u>	<u>1,084,122</u>	<u>1,043,981</u>	<u>1,271,747</u>	<u>233,054</u>	<u>304,677</u>	<u>421,594</u>	<u>470,460</u>
CURRENT LIABILITIES									
Trade and other payables	32	721,049	700,574	670,308	1,011,799	32,940	30,342	33,112	196,314
Income taxes payable		16,511	20,335	20,962	27,982	512	2,715	—	1,686
Borrowings	33	23,262	30,000	—	30,643	—	—	—	—
		<u>760,822</u>	<u>750,909</u>	<u>691,270</u>	<u>1,070,424</u>	<u>33,452</u>	<u>33,057</u>	<u>33,112</u>	<u>198,000</u>
NET CURRENT ASSETS		<u>156,398</u>	<u>333,213</u>	<u>352,711</u>	<u>201,323</u>	<u>199,602</u>	<u>271,620</u>	<u>388,482</u>	<u>272,460</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,146,238</u>	<u>2,130,129</u>	<u>2,243,481</u>	<u>2,180,302</u>	<u>1,394,089</u>	<u>1,342,147</u>	<u>1,517,639</u>	<u>1,340,503</u>
CAPITAL AND RESERVES									
Share capital	34	551,610	551,610	551,610	551,610	551,610	551,610	551,610	551,610
Reserves	36	1,271,608	1,283,299	1,437,375	1,374,927	797,967	775,665	934,699	769,569
Equity attributable to shareholders of Jin Jiang Investment		1,823,218	1,834,909	1,988,985	1,926,537	1,349,577	1,327,275	1,486,309	1,321,179
Non-controlling interests		219,559	221,285	167,908	180,782	—	—	—	—
Total equity		<u>2,042,777</u>	<u>2,056,194</u>	<u>2,156,893</u>	<u>2,107,319</u>	<u>1,349,577</u>	<u>1,327,275</u>	<u>1,486,309</u>	<u>1,321,179</u>
NON-CURRENT LIABILITIES									
Deferred income tax liabilities	35	50,723	17,663	37,186	23,834	44,512	14,872	31,330	19,324
Other non-current liabilities	37	52,738	56,272	49,402	49,149	—	—	—	—
		<u>103,461</u>	<u>73,935</u>	<u>86,588</u>	<u>72,983</u>	<u>44,512</u>	<u>14,872</u>	<u>31,330</u>	<u>19,324</u>
		<u>2,146,238</u>	<u>2,130,129</u>	<u>2,243,481</u>	<u>2,180,302</u>	<u>1,394,089</u>	<u>1,342,147</u>	<u>1,517,639</u>	<u>1,340,503</u>

Consolidated Statements of Changes in Equity

	Attributable to shareholders of Jin Jiang Investment						Non-controlling interests	Total	
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Retained profits			
	RMB'000	RMB'000	RMB'000 (note 1)	RMB'000 (note 2)	RMB'000 (note 3)	RMB'000 (note 4)	RMB'000	RMB'000	
At 1 January 2007	551,610	266,218	113,901	128,534	23,174	486,950	1,570,387	207,817	1,778,204
Profit for the year	—	—	—	—	—	317,304	317,304	70,372	387,676
Fair value gain on available-for-sale financial assets	—	—	—	—	193,102	—	193,102	—	193,102
Cumulative gain reclassified on disposal of available-for-sale financial assets	—	—	—	—	(18,769)	—	(18,769)	—	(18,769)
Income tax relating to components of other comprehensive income	—	—	—	—	(45,742)	—	(45,742)	—	(45,742)
Total comprehensive income for the year	—	—	—	—	128,591	317,304	445,895	70,372	516,267
Transfer	—	—	—	24,304	—	(24,304)	—	—	—
Disposal of subsidiaries (note 40)	—	—	—	—	—	—	—	(33)	(33)
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	2,000	2,000
Dividends recognised as distribution (note 12)	—	—	—	—	—	(193,064)	(193,064)	—	(193,064)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(60,597)	(60,597)
At 31 December 2007	551,610	266,218	113,901	152,838	151,765	586,886	1,823,218	219,559	2,042,777
Profit for the year	—	—	—	—	—	327,816	327,816	64,017	391,833
Fair value loss on available-for-sale financial assets	—	—	—	—	(124,861)	—	(124,861)	—	(124,861)
Cumulative gain reclassified on disposal of available-for-sale financial assets	—	—	—	—	(8,837)	—	(8,837)	—	(8,837)
Income tax relating to components of other comprehensive income	—	—	—	—	33,060	—	33,060	—	33,060
Total comprehensive income (loss) for the year	—	—	—	—	(100,638)	327,816	227,178	64,017	291,195
Transfer	—	—	—	30,757	—	(30,757)	—	—	—
Acquisition of a subsidiary (note 38)	—	—	5,806	—	—	(649)	5,157	271	5,428
Dividends recognised as distribution (note 12)	—	—	—	—	—	(220,644)	(220,644)	—	(220,644)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(62,562)	(62,562)
At 31 December 2008	551,610	266,218	119,707	183,595	51,127	662,652	1,834,909	221,285	2,056,194
Profit for the year	—	—	—	—	—	274,142	274,142	40,700	314,842
Fair value gain on available-for-sale financial assets	—	—	—	—	102,267	—	102,267	—	102,267
Cumulative gain reclassified on disposal of available-for-sale financial assets	—	—	—	—	(22,750)	—	(22,750)	—	(22,750)
Income tax relating to components of other comprehensive income	—	—	—	—	(19,523)	—	(19,523)	—	(19,523)
Total comprehensive income for the year	—	—	—	—	59,994	274,142	334,136	40,700	374,836
Transfer	—	—	—	24,300	—	(24,300)	—	—	—
Acquisition of additional interest in a subsidiary (note 39)	—	—	(14,577)	—	—	—	(14,577)	(39,543)	(54,120)
Disposal of subsidiaries (note 40)	—	—	—	—	—	—	—	(10,302)	(10,302)
Dividends recognised as distribution (note 12)	—	—	—	—	—	(165,483)	(165,483)	—	(165,483)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(44,232)	(44,232)
At 31 December 2009	551,610	266,218	105,130	207,895	111,121	747,011	1,988,985	167,908	2,156,893
Profit for the period	—	—	—	—	—	142,964	142,964	26,233	169,197
Fair value loss on available-for-sale financial assets	—	—	—	—	(44,686)	—	(44,686)	—	(44,686)
Cumulative gain reclassified on disposal of available-for-sale financial assets	—	—	—	—	(8,595)	—	(8,595)	—	(8,595)
Income tax relating to components of other comprehensive income	—	—	—	—	13,352	—	13,352	—	13,352
Total comprehensive (loss) income for the period	—	—	—	—	(39,929)	142,964	103,035	26,233	129,268
Transfer	—	—	—	2,494	—	(2,494)	—	—	—
Dividends recognised as distribution (note 12)	—	—	—	—	—	(165,483)	(165,483)	—	(165,483)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(13,359)	(13,359)
At 30 June 2010	551,610	266,218	105,130	210,389	71,192	721,998	1,926,537	180,782	2,107,319
At 1 January 2009	551,610	266,218	119,707	183,595	51,127	662,652	1,834,909	221,285	2,056,194
Profit for the period	—	—	—	—	—	140,059	140,059	17,789	157,848
Fair value gain on available-for-sale financial assets	—	—	—	—	82,621	—	82,621	—	82,621
Cumulative gain reclassified on disposal of available-for-sale financial assets	—	—	—	—	(17,631)	—	(17,631)	—	(17,631)
Income tax relating to components of other comprehensive income	—	—	—	—	(16,247)	—	(16,247)	—	(16,247)
Total comprehensive income for the period	—	—	—	—	48,743	140,059	188,802	17,789	206,591
Transfer to reserve fund	—	—	—	23,481	—	(23,481)	—	—	—
Acquisition of additional interest in a subsidiary (note 39)	—	—	(14,577)	—	—	—	(14,577)	(39,543)	(54,120)
Disposal of subsidiaries (note 40)	—	—	—	—	—	—	—	(10,302)	(10,302)
Dividends recognised as distribution (note 12)	—	—	—	—	—	(165,483)	(165,483)	—	(165,483)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(43,492)	(43,492)
At 30 June 2009 (Unaudited)	551,610	266,218	105,130	207,076	99,870	613,747	1,843,651	145,737	1,989,388

Notes:

1. The capital reserve mainly represents the aggregation of:
 - a. a debit amount of approximately RMB492,531,000, being the difference between the nominal value of shares acquired and acquisition consideration of the group entities; and
 - b. an amount of approximately RMB606,425,000, being the injection of capital from Jin Jiang International in prior years.
2. As stipulated by the relevant laws and regulations for enterprises in the PRC, Jin Jiang Investment, is required to maintain a statutory surplus reserve fund which is non-distributable. The appropriations to such reserve are made out of net profit after taxation of the statutory financial statements of Jin Jiang Investment. The statutory surplus reserve fund can be used to make up prior year/period losses, if any, and can be applied in conversion into capital by means of capitalisation issue.
3. Investment revaluation reserve represents the changes in fair values of available-for-sale financial assets.
4. At 31 December 2007, 31 December 2008, 31 December 2009, 30 June 2009 (unaudited) and 30 June 2010, included in retained earnings represented statutory reserve appropriated by the group entities of the Jin Jiang Investment Group of approximately RMB246,090,000, RMB265,484,000, RMB296,263,000, RMB265,484,000 (unaudited) and RMB296,263,000, respectively.

Consolidated Statements of Cash Flows

NOTES	Year ended 31 December			Six months ended 30 June	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
OPERATING ACTIVITIES					
Profit before tax	426,423	440,144	362,542	182,443	196,733
Adjustments for:					
Finance costs	4,156	3,490	1,322	935	2,757
Interest income	(11,120)	(13,990)	(11,183)	(5,141)	(4,343)
Dividends from equity securities	(2,631)	(27,094)	(19,515)	(16,172)	(8,104)
Share of results of associates	(139,729)	(121,961)	(74,789)	(26,708)	(46,683)
Gain on disposal of property, plant and equipment	(15,592)	(17,230)	(21,788)	(8,091)	(9,213)
Amortisation of intangible assets	1	16	16	8	8
Amortisation of land use rights	2,410	2,409	2,509	1,255	1,255
Depreciation of property, plant and equipment	288,056	288,059	257,449	121,715	124,338
Depreciation of investment properties	537	605	606	303	303
Reversal of (allowance for) doubtful debts	(1,559)	(1,497)	(350)	1,151	920
Release of deferred government grant	37	—	(630)	—	—
Cumulative gain reclassified from equity on disposal of listed equity securities classified as available- for-sale financial assets	(18,769)	(8,837)	(22,750)	(17,631)	(8,595)
Gain on liquidation of an investee classified as available-for-sale financial assets	27	—	(13,752)	—	—
Gain on disposal of subsidiaries	—	—	(4,045)	(4,045)	—
Operating cash flows before movements in working capital	532,183	543,484	456,272	230,022	249,376
(Increase) decrease in inventories	(5,271)	(6,069)	(2,169)	10,887	(7,831)
(Increase) decrease in trade and other receivables	(56,476)	57,644	(47,928)	23,341	(85,818)
(Decrease) increase in trade and other payables	(97,688)	(19,695)	55,089	32,840	72,223
Decrease in non-current liabilities	(125)	(876)	(2,723)	(541)	(253)
Cash generated from operations	372,623	574,488	458,541	296,549	227,697
Income taxes paid	(34,810)	(43,638)	(46,883)	(12,393)	(20,723)
Interest paid	(4,156)	(3,490)	(1,322)	(935)	(2,757)
NET CASH FROM OPERATING ACTIVITIES	333,657	527,360	410,336	283,221	204,217

APPENDIX IIA
**ACCOUNTANTS' REPORT OF
THE JIN JIANG INVESTMENT GROUP**

	NOTES	Year ended 31 December			Six months ended 30 June	
		2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
INVESTING ACTIVITIES						
Interest received		11,120	13,990	11,183	5,141	4,343
Dividends received		127,674	158,588	111,598	105,425	47,969
Proceeds on disposals of property, plant and equipment		51,477	59,577	71,013	18,336	24,615
Proceeds on disposals of intangible assets		—	146	—	—	—
Proceeds on disposal of available-for-sale financial assets		56,293	7,478	29,197	20,931	8,493
Proceeds received on behalf of an investee classified as available-for-sale financial assets	27	—	18,585	—	—	—
Disposal of subsidiaries	40	23	—	9,419	(4,781)	1,540
Proceeds from government grant		—	5,040	—	—	—
Addition of investment in associates		(2,892)	—	—	—	—
Purchase of available-for-sale financial assets		(52,030)	—	—	—	(4,822)
Payment for acquisition of property, plant and equipment		(184,102)	(280,799)	(327,113)	(125,443)	(180,181)
Payment for acquisition of intangible assets		(1,034)	(190)	(81,510)	(98)	(13,772)
Purchase of land use rights		—	(304)	—	—	—
Acquisition of a subsidiary	38	—	(5,427)	—	—	—
Loan repayments from an associate		4,231	4,231	4,230	—	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES		10,760	(19,085)	(171,983)	19,511	(111,815)
FINANCING ACTIVITIES						
Dividends paid to shareholders of Jin Jiang Investment		(175,185)	(221,390)	(165,952)	(117,719)	—
Dividends paid to non-controlling interests		(60,597)	(82,807)	(57,945)	(57,205)	(12,360)
Repayment of borrowings		(68,000)	(53,262)	(30,000)	(27,500)	—
New borrowing raised		43,262	60,000	—	—	30,643
Increase in restricted cash		—	—	—	—	(9,874)
Acquisition of additional interest in a subsidiary	39	—	—	(54,120)	—	—
Capital contributions from non-controlling shareholders		2,000	—	—	—	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(258,520)	(297,459)	(308,017)	(202,424)	8,409
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		85,897	210,816	(69,664)	100,308	100,811
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD		446,927	532,824	743,640	743,640	673,976
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD		532,824	743,640	673,976	843,948	774,787

Notes to the Financial Information**1. GENERAL**

Jin Jiang Investment is a joint-stock limited company established in the People's Republic of China (the "PRC"). The A shares and the B shares issued by Jin Jiang Investment have been formally listed in SSE since 1993. Its parent company and ultimate holding company is Jin Jiang International, a wholly state-owned company incorporated in the PRC, directly under the administration and control of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government. The headquarter of Jin Jiang Investment is located in Shanghai, PRC.

The Financial Information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which Jin Jiang Investment and its subsidiaries operate, which is also the functional currency of Jin Jiang Investment.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information for the Relevant Period, the Jin Jiang Investment Group has consistently applied all of the new and revised Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and the related interpretations ("HK(IFRIC) — Int") (hereinafter collectively referred to as the "new HKFRSs") which are effective for the accounting period beginning on 1 January 2010, with the following exceptions:

HKFRS 3 (2008) "*Business Combinations*" has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. HKFRS 3 (2004) "*Business Combinations*" has been applied to business combinations for which the acquisition date is before 1 January 2010.

HKAS 27 (2008) "*Consolidated and Separate Financial Statements*" has been applied consistently throughout the Relevant Period except that total comprehensive income is attributed to the shareholders of Jin Jiang Investment and non-controlling interests even if this results in the non-controlling interests having a deficit balance which have been applied prospectively from 1 January 2010.

The HKICPA has revised HKAS 24 "*Related Parties Disclosures*" in 2009 by:

- (i) providing a partial exemption from the disclosure requirements for government-related entities; and
- (ii) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.

Pursuant to the transitional provision in that Standard, the Jin Jiang Investment Group has early adopted the amendments in (i) above in advance of their effective date (1 January 2011) and applied consistently the revised related party disclosures for government-related entities during the Relevant Period. The Jin Jiang Investment Group has not early adopted the amendments in (ii) during the Relevant Period. Other new HKFRSs have been applied consistently throughout the Relevant Period.

Other than as specifically identified above, at the date of this report, the Jin Jiang Investment Group has not applied the following new and revised standards, amendments or interpretations that have been issued but not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures, except for the partial exemption from the disclosure requirements for government-related entities ³
HKAS 32 (Amendment)	Classification of Right Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments ⁴

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 July 2010

⁵ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 “*Financial Instruments*” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 “*Financial Instruments: Recognition and Measurement*” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the financial assets of the Jin Jiang Investment Group.

The directors of Jin Jiang Investment anticipate that the application of other new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Jin Jiang Investment Group.

3. CHANGE OF ACCOUNTING ESTIMATE

Prior to April 2009, except for taxis and minibuses which were depreciated using double-declining-balance method over six years with estimated residual value of 5% of the original cost, other operating vehicles of the Jin Jiang Investment Group were depreciated using straight-line method over estimated useful life ranging from five years to ten years with estimated residual value ranging from 4% to 5% of the original cost. With effect from 1 April 2009, the estimated useful life and estimated residual value of the operating vehicles of the Jin Jiang Investment Group were four years and 10% of the original cost and the operating vehicles were depreciated using straight-line method.

The directors of Jin Jiang Investment considered that the change in estimated useful life and estimated residual value of the operating vehicles of the Jin Jiang Investment Group provided a more relevant and reliable presentation on the financial position and operating results of the related reportable segment after taking into account the industry factor and nature of operation of that particular segment.

The change in estimates on useful life, residual value and depreciation method decreased the depreciation charge for the year ended 31 December 2009 and six months ended 30 June 2010 by approximately RMB3,866,000 and RMB7,343,000, respectively. In the opinion of the directors of Jin Jiang Investment, the

change in estimates will have impact on the results and financial position of the Jin Jiang Investment Group in the future periods but it is impracticable to estimate that impact since the range of reasonable estimates on addition of operating vehicles in future periods is significant.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the accounting policies which conform to HKFRSs issued by the HKICPA. Other than specifically identified below, these policies have been consistently applied throughout the Relevant Period. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporate the financial statements of Jin Jiang Investment and entities controlled by Jin Jiang Investment (its subsidiaries). Control is achieved where Jin Jiang Investment has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Relevant Period (other than business combinations involving entities under common control) are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Jin Jiang Investment Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from equity attributable to the shareholders of Jin Jiang Investment.

Allocation of total comprehensive income to non-controlling interests

Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Jin Jiang Investment Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Starting from 1 January 2010, total comprehensive income and expense of a subsidiary is attributed to the shareholders of Jin Jiang Investment and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Jin Jiang Investment Group's ownership interests in existing subsidiaries***Changes in the Jin Jiang Investment Group's ownership interest in a subsidiary that do not result in the Jin Jiang Investment Group losing control over the subsidiary***

Changes in the Jin Jiang Investment Group's ownership interest in a subsidiary that do not result in the Jin Jiang Investment Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Jin Jiang Investment Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of Jin Jiang Investment.

Changes in the Jin Jiang Investment Group's ownership interest in a subsidiary that result in the Jin Jiang Investment Group losing control over the subsidiary*Prior to 1 January 2010*

When the Jin Jiang Investment Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between the consideration received and the carrying amount of the share of net assets disposed of.

On or after 1 January 2010

When the Jin Jiang Investment Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if Jin Jiang Investment had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings at the date when control is lost). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

*Business combinations (other than business combinations involving entities under common control)***Business combinations prior to 1 January 2010**

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Jin Jiang Investment Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Jin Jiang Investment Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Jin

Jiang Investment Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the business combination, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Business combinations on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Jin Jiang Investment Group, liabilities incurred by the Jin Jiang Investment Group to former shareholders of the acquiree and the equity interests issued by the Jin Jiang Investment Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (2008) are recognised at their fair values, except that:

- deferred income tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Jin Jiang Investment Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Jin Jiang Investment Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Investments in subsidiaries

Investments in subsidiaries are included in Jin Jiang Investment's statements of financial position at cost less any identified impairment loss. The results of the subsidiaries are accounted for by Jin Jiang Investment on the basis of dividends received and receivable during the Relevant Period.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Jin Jiang Investment Group recognises its interests in jointly controlled entities using proportionate consolidation. The Jin Jiang Investment Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Jin Jiang Investment Group's similar line items, line by line, in the consolidated financial statements.

Any excess of the cost of acquisition over the Jin Jiang Investment Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. Goodwill arising on an acquisition is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statements of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Any excess of the Jin Jiang Investment Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Jin Jiang Investment Group, profits or losses are eliminated to the extent of the Jin Jiang Investment Group's interest in the jointly controlled entity.

In Jin Jiang Investment's statements of financial position, the interests in jointly controlled entities are stated at cost less accumulated impairment of losses. The results of jointly controlled entities are accounted for by Jin Jiang Investment on the basis of dividends received and receivable.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statements of financial position at cost as adjusted for post-acquisition changes in the Jin Jiang Investment Group's share of the net assets of the associates, less any identified impairment loss. When the Jin Jiang Investment Group's share of losses of an associate equals or exceeds its interest in that associate, the Jin Jiang Investment Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Jin Jiang Investment Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Jin Jiang Investment Group, profits and losses are eliminated to the extent of the Jin Jiang Investment Group's interest in the relevant associate.

In Jin Jiang Investment's statements of financial position, the interests in associates are stated at cost less accumulated impairment of losses. The results of associates are accounted for by Jin Jiang Investment on the basis of dividends received and receivable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered and title has passed.

Service income is recognised when the services are provided.

Interest income from a financial asset, other than a financial asset at fair value through profit or loss, is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Jin Jiang Investment Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Jin Jiang Investment Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally classified as finance lease. To the extent the allocation of the lease payments can be made reliably, leasehold land is classified as finance leases if substantially all the risk and rewards incidental to ownership of the land element is transferred to the Jin Jiang Investment Group. In other cases, leasehold land is classified as operating leases.

Land use rights

Land use rights with finite lease terms are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Land use rights with finite lease terms are amortised over the lease terms on a straight-line basis. Alternatively, land use rights with indefinite lease terms are carried at cost less any subsequent accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress and certain operating vehicles (mainly taxis and minibuses) over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. Depreciation is provided to write off the cost of taxis and minibuses over their estimated useful lives and taking into account of their estimated residual values, using the double-declining-balance method for the two years ended 31 December 2008 and the three months ended 31 March 2009 and using straight-line method for the period from 1 April 2009 to 31 December 2009 and afterwards.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are stated at cost less any accumulated impairment losses.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. And gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Intangible assets***Intangible assets acquired separately***

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on non-current assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred income tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Jin Jiang Investment Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred income tax liabilities are generally recognised for all taxable temporary differences. Deferred income tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint-controlled entities except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible

temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate and tax laws that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Jin Jiang Investment Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the deferred income tax is also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year/period in which they are incurred.

During the Relevant Period and the six months ended 30 June 2009, the finance costs incurred represented interest expenses in relation to borrowings wholly repayable within five years.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Jin Jiang Investment Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Jin Jiang Investment Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefits schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Impairment of non-current assets other than financial assets

At the end of each reporting period, the Jin Jiang Investment Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories, such as low-value consumables of entities engaged in provision of vehicle operating service, refrigerated logistics management service and hotel management services, are calculated using the weighted average method and costs of inventories, such as merchandise of entities engaged in trading of automobiles, are calculated using first-in, first-out method.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the assets' or disposal groups' previous carrying amount and fair value less costs to sell.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Jin Jiang Investment Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of

the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in other gains and losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL comprise financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is part of an identified portfolio of financial instruments that the Jin Jiang Investment Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including deposit paid for acquisition of available-for-sale financial assets, trade and other receivables, restricted cash, cash and cash equivalents, amount due from an associate and amounts due from subsidiaries are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets, other than those unlisted securities which are measured at cost less impairment, are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Jin Jiang Investment Group's and Jin Jiang Investment's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit terms of the customers, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Jin Jiang Investment Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities, including trade and other payables, borrowings, and certain other non-current liabilities are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Jin Jiang Investment Group are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Jin Jiang Investment Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Jin Jiang Investment Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Jin Jiang Investment Group's accounting policies, which are described in note 4, the directors of Jin Jiang Investment are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/period.

(a) Estimated impairment of trade and other receivables

As explained in note 4, trade and other receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method less impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The identification of bad and doubtful debts on trade and other receivables requires the use of judgment and estimates of expected future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, 2008 and 2009 and 30 June 2010, the carrying amounts of trade and other receivables are approximately RMB336,470,000, RMB281,420,000, RMB318,813,000 and RMB411,508,000, respectively (net of allowance for doubtful debts of RMB4,145,000, RMB1,806,000, RMB953,000 and RMB1,864,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively).

(b) Useful lives and estimated impairment of intangible assets

The intangible assets of the Jin Jiang Investment Group mainly represented the license of operating vehicles which will not be expired and need no renewal. The management of Jin Jiang Investment Group believe that the license will be in use and can bring in expected inflows of economic benefits in the foreseeable future. So, the useful lives of the license is indefinite. The license is subject to test of impairment losses annually and whenever there is an indicator that it may have been impaired.

Determining whether intangible assets is impaired requires an estimation of the value in use of the cash-generating units to which intangible assets has been allocated. The value in use calculation requires Jin Jiang Investment Group to estimate the future cash flows expected to arise from the cash-generating units and appropriate discount rates in order to calculate the present values. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, the carrying amount of such intangible assets was approximately RMB107,443,000, RMB119,594,000, RMB201,104,000 and, RMB214,876,000, respectively, and no impairment is noted during the Relevant Period.

(c) Fair value of available-for-sale financial assets

As explained in note 4, the listed equity securities of the Jin Jiang Investment Group and Jin Jiang Investment are measured at fair value and the unlisted ones, which the securities do not have a quoted market price in an active market and whose fair value cannot be reliably measured and must be settled by delivery of such unquoted equity instruments, are measured at cost less any identified impairment losses at the end of each reporting period.

The management of the Jin Jiang Investment Group and Jin Jiang Investment measure the fair value of listed equity securities by reference to quoted prices in an active market. The equity securities are listed on the SSE and were actively traded during the Relevant Period. A significant or prolonged decline in the fair value of those equity securities below their cost is considered to be objective evidence of impairment. As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, the carrying amounts of listed equity securities of the Jin Jiang Investment Group are approximately RMB218,620,000, RMB92,580,000, RMB165,654,000 and RMB117,297,000, respectively and the carrying amounts of listed equity securities of Jin Jiang Investment are approximately RMB189,965,000, RMB77,283,000, RMB139,394,000 and RMB96,417,000, respectively.

In addition, the Jin Jiang Investment Group and Jin Jiang Investment assesses periodically if the unlisted equity securities have been suffered from any impairment by obtaining the financial information of the investees classified as available-for-sale financial assets. In the case that there is indicator of impairment loss, the amount of the impairment loss is measured as the difference between the cost and share of net asset value of the investees by the Jin Jiang Investment Group or Jin Jiang Investment. As at 31 December 2007, 31 December 2008 and 31 December 2009 and 30 June 2010, the carrying amounts of unlisted equity securities of the Jin Jiang Investment Group are approximately RMB118,562,000, RMB112,263,000, RMB107,426,000 and RMB107,426,000, respectively and the carrying amounts of unlisted equity securities of Jin Jiang Investment are approximately RMB99,979,000, RMB93,680,000, RMB93,680,000 and RMB93,680,000, respectively.

6. CAPITAL RISK MANAGEMENT

The Jin Jiang Investment Group and Jin Jiang Investment manages its capital to ensure that the entities in the Jin Jiang Investment Group and Jin Jiang Investment itself will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Jin Jiang Investment Group's and Jin Jiang Investment's overall strategy remains unchanged for the Relevant Period.

The capital structure of the Jin Jiang Investment Group consists of restricted cash, cash and cash equivalents, borrowings and equity attributable to shareholders of Jin Jiang Investment, comprising issued share capital, reserves and retained profits. The capital structure of Jin Jiang Investment consists of cash and cash equivalents and equity attributable to shareholders of Jin Jiang Investment, comprising issued share capital, reserves and retained profits.

The directors of Jin Jiang Investment review the capital structure regularly. The Jin Jiang Investment Group and Jin Jiang Investment considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as raising of new debt or the repayment of existing debt.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December		At 30 June		As at 31 December		At 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
Available-for-sale financial assets:								
— Available-for-sale financial assets	337,182	204,843	273,080	224,723	289,944	170,963	233,074	190,097
Loans and receivables:								
— Amount due from an associate	21,153	16,922	12,692	12,692	—	—	—	—
— Amount due from subsidiaries	—	—	—	—	59,528	43,212	90,528	40,185
— Deposits paid for acquisition of available-for-sale financial assets	15,263	15,263	15,263	15,263	15,263	15,263	15,263	15,263
— Trade and other receivables	293,346	241,859	269,473	354,078	189	1,078	551	32,584
— Cash and cash equivalents	532,824	743,640	673,976	774,787	173,151	260,263	330,386	381,018
— Restricted cash	—	—	—	9,874	—	—	—	—
	862,586	1,017,684	971,404	1,166,694	248,131	319,816	436,728	469,050
	1,199,768	1,222,527	1,244,484	1,391,417	538,075	490,779	669,802	659,147
Financial liabilities								
Amortised cost:								
— Trade and other payables	609,542	594,410	554,082	895,688	32,623	30,021	32,776	195,872
— Borrowings	23,262	30,000	—	30,643	—	—	—	—
— Other non-current liabilities	23,945	23,069	20,609	20,356	—	—	—	—
— Financial guarantee contracts	26,100	28,500	26,100	28,500	—	—	—	—
	682,849	675,979	600,791	975,187	32,623	30,021	32,776	195,872

(b) Financial risk management objectives and policies

The major financial instruments of the Jin Jiang Investment Group include deposits paid for acquisition of available-for-sale financial assets, available-for-sale financial assets, amount due from an associate, trade and other receivables, restricted cash, cash and cash equivalents, trade and other payables, borrowings and certain other non-current liabilities. The major financial instruments of Jin Jiang Investment includes deposits paid for acquisition of available-for-sale financial assets, amounts due from subsidiaries, trade and other receivables, cash and cash equivalents and trade and other payables. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The management of the Jin Jiang Investment Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Jin Jiang Investment Group's and Jin Jiang Investment's overall strategy remains unchanged for the Relevant Period.

(c) Market risk

The activities of Jin Jiang Investment and the Jin Jiang Investment Group expose them primarily to the financial risks of changes in interest rate, foreign currency exchange rate and prices of the available-for-sale financial assets. Market risk exposures are measured by sensitivity analysis.

There has been no change to the exposures of Jin Jiang Investment and the Jin Jiang Investment Group to these market risks or the manner in which it manages and measures the risk throughout the Relevant Period.

(i) Interest rate risk

Jin Jiang Investment and the Jin Jiang Investment Group are exposed to cash flow interest rate risk in relation to variable-rate restricted cash, cash and cash equivalents and borrowings (see notes 31 and 33).

Jin Jiang Investment and the Jin Jiang Investment Group do not enter into any interest rate hedging contracts. The directors of Jin Jiang Investment closely monitor such risks and will consider hedging significant interest rate risk exposure should the need arise. Jin Jiang Investment's and the Jin Jiang Investment Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. Jin Jiang Investment and the Jin Jiang Investment Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates issued by the People's Bank of China arising from the Jin Jiang Investment's and the Jin Jiang Investment Group's RMB and United States Dollars ("USD") denominated cash and cash equivalents.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate restricted cash, cash and cash equivalents and borrowings at the end of each reporting period. The analysis is prepared assuming the balances outstanding at the end of each reporting period were outstanding for the whole year/period.

A 10 basis points increase or decrease on variable-rate restricted cash, cash and cash equivalents and borrowings represents management's assessment of the reasonably possible change in interest rates. If interest rates on variable-rate restricted cash, cash and cash equivalents and borrowings had been 10 basis points higher/lower and all other variables were held constant, the potential impact in the Jin Jiang Investment's and the Jin Jiang Investment Group's post-tax profit is as follows:

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December		At 30 June		As at 31 December		At 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impact in post-tax profit for the year/period	484	662	585	663	147	213	264	297

In the opinion of the directors of the Jin Jiang Investment Group, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year/period end exposures do not reflect the exposure during the year/period.

(ii) Foreign currency risk

Foreign currency risk is the risk that the holding of foreign currency assets and liabilities will affect the position of the Jin Jiang Investment Group as a result of a change in foreign currency exchange rates. Certain trade and other receivables, cash and cash equivalents, trade and other payables and borrowings of the Jin Jiang Investment Group are denominated in foreign currencies of its group entities, details of which are set out in respective notes, expose the Jin Jiang Investment Group to foreign currency risk. The Jin Jiang Investment Group currently does not use any derivative contracts to hedge against the exposure to foreign currency risk. However the Jin Jiang Investment Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The carrying amounts of the foreign currencies denominated monetary assets and monetary liabilities of the Jin Jiang Investment Group's group entities at the end of each reporting period are as follows:

	The Jin Jiang Investment Group			
	As at 31 December			As at 30 June
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS				
USD	117,929	87,494	51,200	107,740
Euro ("EUR")	400	2,485	937	1,252
Hong Kong Dollars ("HKD")	187	4	—	—
Japanese Yen ("JPY")	341	—	—	—
	<u>118,857</u>	<u>89,983</u>	<u>52,137</u>	<u>108,992</u>
LIABILITIES				
USD	55,415	20,652	37,045	56,960
EUR	—	2,259	544	1,048
HKD	—	137	69	4
	<u>55,415</u>	<u>23,048</u>	<u>37,658</u>	<u>58,012</u>

Jin Jiang Investment did not have any assets and liabilities denominated in its foreign currencies.

The following table details the Jin Jiang Investment Group's sensitivity to a 5% change in functional currency, RMB, against the relevant foreign currencies of its group entities. 5% represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. The sensitivity analysis includes trade and other receivables, cash and cash equivalents, trade and other payables and borrowings denominated in currencies other than RMB.

A positive number below indicates a decrease in post-tax profit where RMB strengthens 5% against the relevant foreign currencies. For a 5% of weakening the relevant foreign currencies against RMB, there would be an equal and opposite impact on the post-tax profit.

	The Jin Jiang Investment Group			
	As at 31 December			As at 30 June
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD	2,842	2,975	615	2,184
EUR	18	10	17	9
HKD	9	(6)	(3)	—
JPY	16	—	—	—
	<u>2,875</u>	<u>2,979</u>	<u>612</u>	<u>2,193</u>

In the opinion of the directors of Jin Jiang Investment, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposures do not reflect the exposure during the Relevant Period.

(iii) Other price risk

The Jin Jiang Investment Group and Jin Jiang Investment are exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Jin Jiang Investment Group's and Jin Jiang Investment's equity price risk are mainly concentrated on equity instruments quoted in the SSE. The management closely monitors such risks and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of each reporting period. If the prices of the respective equity instruments had been 10% higher/lower and all other variables were held constant, the potential effects on the Jin Jiang Investment Group's and Jin Jiang Investment's investment revaluation reserve as a result of the changes in fair values of available-for-sale financial assets are as follows:

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December		At 30 June		As at 31 December		At 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impact in investment revaluation reserve for the year/period	16,397	6,944	12,424	8,797	14,247	5,796	10,455	7,231

In the opinion of the directors of Jin Jiang Investment, the sensitivity analysis is unrepresentative of the inherent equity price risk as the year/period end exposures do not reflect the exposure during the year/period.

(d) Credit risk

The maximum exposure of the Jin Jiang Investment Group and Jin Jiang Investment to credit risk which will cause a financial loss to the Jin Jiang Investment Group and Jin Jiang Investment due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and statement of financial position and the amount of contingent liabilities in relation to financial guarantee granted by the Jin Jiang Investment Group as disclosed in note 44(b) at the end of each reporting period.

The Jin Jiang Investment Group's credit risk is primarily attributable to the trade and other receivable. In order to minimise the credit risk, the management of the Jin Jiang Investment Group have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In this regard, the directors of Jin Jiang Investment consider that the Jin Jiang Investment Group's credit risk is significantly reduced.

The Jin Jiang Investment Group has no significant concentration of credit risk on the trade receivables and other receivables, with exposure spread over a number of counterparties and customers.

Jin Jiang Investment's credit risk is primarily attributable to the amounts due from subsidiaries. In order to minimise the credit risk, Jin Jiang Investment's management continuously monitors the credit quality and financial conditions of the subsidiaries and the level of exposure to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of Jin Jiang Investment consider that Jin Jiang Investment's credit risk is significantly reduced.

The Jin Jiang Investment Group and Jin Jiang Investment have concentration of credit risk on liquid funds which are deposited mainly with several banks in the PRC. However, the credit risk on cash and cash equivalents is limited because the counterparties are state-owned banks located in the PRC with good reputation.

(e) Liquidity risk

In the management of the liquidity risk, the Jin Jiang Investment Group and Jin Jiang Investment monitor and maintain a level of cash and cash equivalents deemed adequate by the directors of Jin Jiang Investment to finance the Jin Jiang Investment Group's and Jin Jiang Investment's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the remaining contractual maturity for the non-derivative financial liabilities of the Jin Jiang Investment Group and Jin Jiang Investment as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 based on the agreed repayment forms.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Jin Jiang Investment Group and Jin Jiang Investment can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate %	Less than 3 months RMB'000	More than 3 months and less than one year RMB'000	More than one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
The Jin Jiang Investment Group						
<i>Non-derivative financial liabilities</i>						
As at 31 December 2007						
Trade and other payables	—	609,542	—	—	609,542	609,542
Borrowings	6.70%	18,580	5,438	—	24,018	23,262
Other non-current liabilities	—	—	—	23,945	23,945	23,945
Financial guarantee contracts	—	—	13,600	12,500	26,100	26,100
		<u>628,122</u>	<u>19,038</u>	<u>36,445</u>	<u>683,605</u>	<u>682,849</u>
As at 31 December 2008						
Trade and other payables	—	594,410	—	—	594,410	594,410
Borrowings	4.43%	463	30,116	—	30,579	30,000
Other non-current liabilities	—	—	—	23,069	23,069	23,069
Financial guarantee contracts	—	—	16,000	12,500	28,500	28,500
		<u>594,873</u>	<u>46,116</u>	<u>35,569</u>	<u>676,558</u>	<u>675,979</u>
As at 31 December 2009						
Trade and other payables	—	554,082	—	—	554,082	554,082
Other non-current liabilities	—	—	—	20,609	20,609	20,609
Financial guarantee contracts	—	—	13,600	12,500	26,100	26,100
		<u>554,082</u>	<u>13,600</u>	<u>33,109</u>	<u>600,791</u>	<u>600,791</u>

	Weighted average interest rate %	Less than 3 months RMB'000	More than 3 months and less than one year RMB'000	More than one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at 30 June 2010						
Trade and other payables	—	895,688	—	—	895,688	895,688
Borrowings	4.66%	365	31,261	—	31,626	30,643
Other non-current liabilities	—	—	—	20,356	20,356	20,356
Financial guarantee contracts	—	—	16,000	12,500	28,500	28,500
		<u>896,053</u>	<u>47,261</u>	<u>32,856</u>	<u>976,170</u>	<u>975,187</u>
Jin Jiang Investment						
<i>Non-derivative financial liabilities</i>						
As at 31 December 2007						
Trade and other payables	—	<u>32,623</u>	—	—	<u>32,623</u>	<u>32,623</u>
As at 31 December 2008						
Trade and other payables	—	<u>30,021</u>	—	—	<u>30,021</u>	<u>30,021</u>
As at 31 December 2009						
Trade and other payables	—	<u>32,776</u>	—	—	<u>32,776</u>	<u>32,776</u>
As at 30 June 2010						
Trade and other payables	—	<u>195,872</u>	—	—	<u>195,872</u>	<u>195,872</u>

The amounts included above for financial guarantee contracts are the maximum amounts the Jin Jiang Investment Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Jin Jiang Investment Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(f) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Jin Jiang Investment consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements and financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position and statement of financial position

The Jin Jiang Investment Group's and Jin Jiang Investment's financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities ("Level 1 measurements");
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The available-for-sale financial assets of Jin Jiang Investment Group with carrying amounts of approximately RMB218,620,000, RMB92,580,000, RMB165,654,000 and RMB117,297,000 at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively, and those of Jin Jiang Investment with carrying amounts of approximately RMB189,965,000, RMB77,283,000, RMB139,394,000 and RMB96,417,000 at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively, are Level 1 measurements.

There were no transfer between Level 1 and 2 during the Relevant Period.

8. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

Turnover represents the net amounts received and receivable for goods sold and services provided to customers during the Relevant Period and the six months ended 30 June 2009.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Sales of goods					
— Trading of automobile and relevant business	426,779	478,213	485,993	224,000	283,001
Provision of services					
— Vehicle operating and relevant business	1,096,543	1,130,361	1,085,021	538,402	578,363
— Refrigerated logistics business	131,366	110,539	73,187	37,171	38,630
— Freight forwarding and relevant logistics business	1,280,450	1,305,472	820,183	369,338	564,068
— Others	90,216	87,241	78,601	40,848	37,802
Total	<u>3,025,354</u>	<u>3,111,826</u>	<u>2,542,985</u>	<u>1,209,759</u>	<u>1,501,864</u>

(b) Segment information

The chief operating decision makers of the Jin Jiang Investment Group have been identified as the board of directors. The Jin Jiang Investment Group's board of directors identify its reportable segments by types of services provided and products traded by each reportable segment which derives its revenue for the purpose of making decision about resource allocation and performance assessment. The Jin Jiang Investment Group's operating and reportable segments are as follows:

1. Provision of vehicle operating and relevant services — mainly engaged in provision of vehicle operating services
2. Trading of automobile and relevant business — mainly engaged in trading of vehicles, spare parts and related products
3. Refrigerated logistics business — engaged in provision of refrigerated warehousing, distributing and management services
4. Freight forwarding and relevant logistics business — mainly engaged in provision of freight forwarding services

Others included businesses engaged by certain subsidiaries and jointly controlled entities of the Jin Jiang Investment Group. As no discrete information of such subsidiaries and jointly controlled entities of the Jin Jiang Investment Group which are engaged in other businesses is reviewed by the Jin Jiang Investment Group's board of directors for the assessment of performance and allocation of resources, no analysis of segment information of other businesses is presented.

An analysis of the Jin Jiang Investment Group's turnover and results by reportable segment is as follows:

Segment turnover and segment results

For the year ended 31 December 2007

	Vehicle operating and relevant business RMB'000	Trading of automobile and relevant business RMB'000	Refrigerated logistics business RMB'000	Freight forwarding and relevant logistics business RMB'000 <i>(note)</i>	Combined RMB'000
Segment turnover	997,565	426,779	131,366	1,280,450	2,836,160
Others					<u>189,194</u>
Total turnover					<u><u>3,025,354</u></u>
Segment profit	156,057	8,325	11,078	25,724	201,184
Others					24,978
Unallocated income and expenses:					
— Investment income					13,751
— Other gains and losses					50,937
— Share of results of associates					139,729
— Finance costs					<u>(4,156)</u>
Profit before tax					426,423
Income tax expense					<u>(38,747)</u>
Profit for the year					<u><u>387,676</u></u>

For the year ended 31 December 2008

	Vehicle operating and relevant business RMB'000	Trading of automobile and relevant business RMB'000	Refrigerated logistics business RMB'000	Freight forwarding and relevant logistics business RMB'000 (note)	Combined RMB'000
Segment turnover	1,023,734	478,213	110,539	1,305,472	2,917,958
Others					<u>193,868</u>
Total turnover					<u><u>3,111,826</u></u>
Segment profit	139,396	11,614	13,023	26,682	190,715
Others					29,400
Unallocated income and expenses:					
— Investment income					41,084
— Other gains and losses					60,474
— Share of results of associates					121,961
— Finance costs					<u>(3,490)</u>
Profit before tax					440,144
Income tax expense					<u>(48,311)</u>
Profit for the year					<u><u>391,833</u></u>

For the year ended 31 December 2009

	Vehicle operating and relevant business RMB'000	Trading of automobile and relevant business RMB'000	Refrigerated logistics business RMB'000	Freight forwarding and relevant logistics business RMB'000 (note)	Combined RMB'000
Segment turnover	979,859	485,993	73,187	820,183	2,359,222
Others					<u>183,763</u>
Total turnover					<u><u>2,542,985</u></u>
Segment profit	128,262	7,703	10,732	10,615	157,312
Others					22,838
Unallocated income and expenses:					
— Investment income					30,698
— Other gains and losses					78,227
— Share of results of associates					74,789
— Finance costs					<u>(1,322)</u>
Profit before tax					362,542
Income tax expense					<u>(47,700)</u>
Profit for the year					<u><u>314,842</u></u>

For the period ended 30 June 2010

	Vehicle operating and relevant business RMB'000	Trading of automobile and relevant business RMB'000	Refrigerated logistics business RMB'000	Freight forwarding and relevant logistics business RMB'000 <i>(note)</i>	Combined RMB'000
Segment turnover	528,420	283,001	38,630	564,068	1,414,119
Others					<u>87,745</u>
Total turnover					<u><u>1,501,864</u></u>
Segment profit	82,846	6,515	5,920	10,203	105,484
Others					12,502
Unallocated income and expenses:					
— Investment income					12,447
— Other gains and losses					22,374
— Share of results of associates					46,683
— Finance costs					<u>(2,757)</u>
Profit before tax					196,733
Income tax expense					<u>(27,536)</u>
Profit for the period					<u><u>169,197</u></u>

For the period ended 30 June 2009 (unaudited)

	Vehicle operating and relevant business RMB'000	Trading of automobile and relevant business RMB'000	Refrigerated logistics business RMB'000	Freight forwarding and relevant logistics business RMB'000 <i>(note)</i>	Combined RMB'000
Segment turnover	488,882	224,000	37,171	369,338	1,119,391
Others					<u>90,368</u>
Total turnover					<u><u>1,209,759</u></u>
Segment profit	69,725	4,331	5,201	4,996	84,253
Others					15,101
Unallocated income and expenses:					
— Investment income					21,313
— Other gains and losses					36,003
— Share of results of associates					26,708
— Finance costs					<u>(935)</u>
Profit before tax					182,443
Income tax expense					<u>(24,595)</u>
Profit for the period					<u><u>157,848</u></u>

Note: Except for a major jointly controlled entity of the Jin Jiang Investment Group, namely JHJ International (as defined below), the Jin Jiang Investment Group's board of directors do not review financial information of other jointly controlled entities.

There are no inter-segment sales during the Relevant Period and the six months ended 30 June 2009.

Segment results represent the results of each reportable segments, excluding investment income, finance costs, other gains and losses and share of results of associates.

Segment assets and liabilities

The following is an analysis of the Jin Jiang Investment Group's assets and liabilities by reportable segment:

Segment assets

	As at 31 December		As at 30 June	
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Vehicle operating and relevant business	1,025,684	1,062,900	1,044,190	1,228,081
Trading of automobile and relevant business	85,759	122,933	120,674	117,404
Refrigerated logistics business	229,717	228,083	226,920	236,035
Freight forwarding and relevant logistics business	269,567	263,848	245,056	308,475
Total segment assets	1,610,727	1,677,764	1,636,840	1,889,995
Unallocated assets:				
Others	685,877	735,539	779,423	883,575
Interests in associates	255,036	244,407	226,281	223,762
Available-for-sale financial assets	337,182	204,843	273,080	224,723
Deferred income tax assets	2,895	2,046	1,856	2,063
Deposits paid for acquisition of available-for-sale financial assets	15,263	15,263	15,263	15,263
Dividends receivables	80	1,176	2,008	11,345
Consolidated assets	2,907,060	2,881,038	2,934,751	3,250,726

Segment liabilities

	As at 31 December		As at 30 June	
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Vehicle operating and relevant business	411,675	402,119	378,829	532,360
Trading of automobile and relevant business	46,585	76,739	68,498	51,333
Refrigerated logistics business	67,259	67,934	63,726	69,097
Freight forwarding and relevant logistics business	123,726	115,745	132,743	164,641
Total segment liabilities	649,245	662,537	643,796	817,431
Unallocated other liabilities:				
Others	68,499	59,257	55,044	56,165
Income taxes payable	16,511	20,335	20,962	27,982
Borrowings	23,262	30,000	—	30,643
Deferred income tax liabilities	50,723	17,663	37,186	23,834
Dividends payables	56,043	35,052	20,870	187,352
Consolidated liabilities	864,283	824,844	777,858	1,143,407

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, available-for-sale financial assets, deferred income tax assets, deposits paid for acquisition of available-for-sale financial assets and dividends receivables as well as those assets of the jointly controlled entities.
- all liabilities are allocated to reportable segments other than income taxes payable, dividends payables, borrowings and deferred income tax liabilities as well as those liabilities of the jointly controlled entities.

Other segment information

Amounts regulating provided to chief operating decision makers and included in the measure of segment profit or loss or segment assets:

For the year ended 31 December 2007

	Vehicle operating and relevant business RMB'000	Trading of automobile and relevant business RMB'000	Refrigerated logistics business RMB'000	Freight forwarding and relevant logistics business RMB'000	Others RMB'000 (note 1)	Total RMB'000
Depreciation and amortisation	240,991	905	8,801	3,825	36,482	291,004
Allowance for (reversal of) bad and doubtful debts	—	—	195	(1,786)	32	(1,559)
Addition of non-current assets (note2)	187,453	878	3,414	1,934	39,446	233,125

For the year ended 31 December 2008

	Vehicle operating and relevant business RMB'000	Trading of automobile and relevant business RMB'000	Refrigerated logistics business RMB'000	Freight forwarding and relevant logistics business RMB'000	Others RMB'000 (note 1)	Total RMB'000
Depreciation and amortisation	229,895	986	8,375	3,785	48,048	291,089
Allowance for (reversal of) bad and doubtful debts	—	—	(62)	(1,465)	30	(1,497)
Addition of non-current assets (note2)	209,371	1,405	5,036	4,362	55,618	275,792

For the year ended 31 December 2009

	Vehicle operating and relevant business RMB'000	Trading of automobile and relevant business RMB'000	Refrigerated logistics business RMB'000	Freight forwarding and relevant logistics business RMB'000	Others RMB'000 (note 1)	Total RMB'000
Depreciation and amortisation	209,455	1,093	6,898	4,357	38,777	260,580
Allowance for (reversal of) bad and doubtful debts	—	—	33	(392)	9	(350)
Addition of non-current assets (note2)	368,460	1,536	17,741	5,303	21,187	414,227

For the period ended 30 June 2010

	Vehicle operating and relevant business RMB'000	Trading of automobile and relevant business RMB'000	Refrigerated logistics business RMB'000	Freight forwarding and relevant logistics business RMB'000	Others RMB'000 (note 1)	Total RMB'000
Depreciation and amortisation	86,758	661	3,258	1,146	34,081	125,904
Allowance for bad and doubtful debts	11	—	—	909	—	920
Addition of non-current assets (note2)	284,926	1,661	12,317	1,750	13,873	314,527

For the period ended 30 June 2009 (unaudited)

	Vehicle operating and relevant business RMB'000	Trading of automobile and relevant business RMB'000	Refrigerated logistics business RMB'000	Freight forwarding and relevant logistics business RMB'000	Others RMB'000 (note 1)	Total RMB'000
Depreciation and amortisation	103,651	545	686	476	17,923	123,281
Allowance for bad and doubtful debts	—	—	—	1,116	35	1,151
Addition of non-current assets (note2)	110,397	589	213	2,602	138	113,939

Notes:

1. Included in the other financial information represented information from jointly controlled entities and certain subsidiaries.
2. Non-current assets excluded interests in associates, available-for-sale financial assets, deferred income tax assets and deposits paid for acquisition of available-for-sale financial assets.

Geographical Information

The Jin Jiang Investment Group's operations are located in the PRC (country of domicile of the group entities). All of the Jin Jiang Investment Group's non-current assets are located in PRC. Therefore, no geographical information has been presented. All revenue from external customers are from country of domicile of the group entities of the Jin Jiang Investment Group, i.e. PRC.

Information about major customers

No individual customer contributed over 10% of the total turnover of the Jin Jiang Investment Group.

9. INVESTMENT INCOME

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest income on bank deposits	10,805	9,917	11,143	5,141	4,343
Interest income received from Jin Jiang International	—	3,394	—	—	—
Interest received from a jointly controlled entity of the Jin Jiang Investment Group	202	578	40	—	—
Interest income received from associates of the Jin Jiang Investment Group	113	101	—	—	—
Dividends from unlisted equity securities	2,631	24,598	17,315	16,172	7,180
Dividends from listed equity securities	—	2,496	2,200	—	924
	<u>13,751</u>	<u>41,084</u>	<u>30,698</u>	<u>21,313</u>	<u>12,447</u>

10. OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Government grants received (<i>note</i>)	9,057	19,521	10,238	7,498	3,822
Gain on disposal of property, plant and equipment	15,592	17,230	21,788	8,091	9,213
Net foreign exchange (losses) gains	(4,100)	(2,671)	(284)	(154)	18
Reversal of (allowance for) bad and doubtful debts	1,559	1,497	350	(1,151)	(920)
Gain on disposal of shares allocated under subscription of new listing applicants' under the SSE	5,202	2,192	1,264	—	350
Cumulative gain reclassified from equity on disposal of available-for-sale financial assets	18,769	8,837	22,750	17,631	8,595
Gain on liquidation of an investee classified as available-for-sale financial assets (<i>note 27</i>)	—	—	13,752	—	—
Gain on disposal of subsidiaries (<i>note 40</i>)	—	—	4,045	4,045	—
Others	<u>4,858</u>	<u>13,868</u>	<u>4,324</u>	<u>43</u>	<u>1,296</u>
	<u>50,937</u>	<u>60,474</u>	<u>78,227</u>	<u>36,003</u>	<u>22,374</u>

Note: The amounts represent non-recurring government subsidies received from the local governmental authorities by the group entities of Jin Jiang Investment Group located in the PRC. There are no unfulfilled conditions and other contingencies attaching to such government grants.

11. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current tax					
— PRC Enterprise Income Tax (“EIT”)	36,032	47,988	48,996	26,372	27,743
— Overprovision of EIT in prior years	(435)	(526)	(1,486)	(1,486)	—
	<u>35,597</u>	<u>47,462</u>	<u>47,510</u>	<u>24,886</u>	<u>27,743</u>
Deferred income tax (note 35)					
— Current year/period	3,955	849	190	(291)	(207)
— Attribute to a change in tax rate	(805)	—	—	—	—
	<u>3,150</u>	<u>849</u>	<u>190</u>	<u>(291)</u>	<u>(207)</u>
	<u><u>38,747</u></u>	<u><u>48,311</u></u>	<u><u>47,700</u></u>	<u><u>24,595</u></u>	<u><u>27,536</u></u>

On 16 March 2007, the People’s Republic of China promulgated the Law of the People’s Republic of China on Enterprise Income Tax (“New Tax Law”) by Order No. 63 of the President of the People’s Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Tax Law. The New Tax Law and Implementation Regulations (i) changes the tax rate from 33% to 25% for certain subsidiaries of the Group from 1 January 2008 and (ii) provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the New Tax Law and were entitled to a preferential lower tax rate and/or tax holiday under the then effective tax laws or regulations. The relevant tax rates for these entities in the PRC ranged from 18% and 20% for the year ended 31 December 2008 and 31 December 2009, respectively, and ranged from 22%, 24% and 25% for the year ending 31 December 2010, 31 December 2011 and 31 December 2012, respectively.

The applicable tax rates of the Jin Jiang Investment Group's subsidiaries and jointly controlled entities for the Relevant Period are as follows:

	<i>Notes</i>	Year ended 31 December		Six months ended	
		2007	2008	2009	30 June
		%	%	%	2010
Subsidiaries:					
JHJ Logistic	a	15	18	20	22
Jinjiang Cold Logistics	a	15	18	20	22
Dalian Automobile Rental		N/A	25	25	25
Jin Jiang Automobile Driver Training		N/A	25	25	25
Yi Ma Automobile Sales		N/A	N/A	25	25
Jin Jiang Automobile Service	a	15	18	20	22
Jin Jiang Business and Travel Auto Services	a	15	18	20	22
Pacific Passenger Transport Service		33	25	25	25
Jin Jiang High-speed Transportation		33	25	25	25
Shanghai Business and Travel Investment Consulting		33	25	25	25
Pudong Friendship Automobile Service	a	15	18	20	22
Jin Jiang Automobile Leasing	a	15	18	20	22
Zhong You Jin You Oil Products	b	16.5	25	25	25
Jiading Jin Jiang Automobile Services		33	25	25	25
Jin Jia Automobile Trading	a	15	18	20	22
Shanghai Toyota Automotive Sales	c	0	25	25	25
Jinzen Electronics Technology		33	25	25	25
Shanghai Colorful Day Advertising		33	25	25	25
Shanghai Toyota Automobile Repair		33	25	25	25
Shanghai Zhenxing Taxi Management		33	25	25	25
Jinyue Automobile Consulting	d	33	25	25	25
Jinmao Automobile Distribution and Services	f	0	0	25	25
Jinyong Automobile Repair Service		33	25	25	25
Nanpu Bridge Food Wholesale Market Management		33	25	25	25
Wujing Refrigerated		33	25	25	25
Wusong luoji Refrigerated		33	25	25	25
Jin Jiang Yaohua Taxi Services		(see below)	25	25	25
Jin Jiang Public Traffic	a	15	18	20	N/A
Shanghai Nichirei Food	e	26.4	25	25	N/A
Shanghai Food	g	15	18	25	25

	Notes	Year ended 31 December			Six months ended
		2007	2008	2009	30 June 2010
		%	%	%	%
Jointly controlled entities:					
上海錦海捷亞國際貨運有限公司 (Shanghai JHJ International Transportation Co., Ltd.*) ("JHJ International")	a	15	18	20	22
上海大眾新亞出租汽車有限公司 (Shanghai Dazhong New Asia Taxi Services Co., Ltd.*) ("Dazhong New Asia")		33	25	25	25
Jin Jiang Yaohua Taxi Services		33	(see above)	(see above)	(see above)
上海振東汽車服務有限公司 (Shanghai Zhendong Taxi Services Co., Ltd.*) ("Zhendong Tax Services")	a	15	18	20	22
上海金茂錦江汽車服務有限公司 (Shanghai Jinmao Jin Jiang Automobile Services Co., Ltd.*) ("Jinmao Jin Jiang Automobile")	a	15	18	20	22
上海市機動車駕駛員培訓中心 (Shanghai Vehicle Driver Training Centre*) ("Vehicle Driver Training")		33	25	25	25
上海日產汽車維修中心 (Shanghai Nissan Maintenance Center*) ("Nissan Maintenance")		33	25	25	25
上海萬國機動車駕駛員培訓中心 (Shanghai Wanguo Automobile Driver Training Center*) ("Wanguo Automobile")	a	15	18	20	22
上海錦江佳友汽車服務有限公司 (Shanghai Jin Jiang Jiayou Automobile Services Co., Ltd.*) ("Jin Jiang Jiayou Automobile")	a	15	18	20	22
上海永達二手機動車經營有限公司 (Shanghai Yongda Secondhand Automobile Services Co., Ltd.*) ("Yongda Secondhand")		33	25	25	25
上海石油集團長樂路加油站有限公司 (Shanghai Petrol Group Changle Road Gas Station Co., Ltd.*) ("Changle Road Gas Station")		33	25	25	25
上海錦江佘山汽車服務有限公司 (Shanghai Jin Jiang Sheshan Automobile Services Co., Ltd.*) ("Sheshan Automobile Services")		33	25	25	25

* The English names are for identification purpose only

Notes:

- (a) These group entities were registered in Pudong New Area in the PRC and were subject to EIT rate of 15% for year ended 31 December 2007. These group entities were subject to increase in EIT rate from 18% to 25% in a five-year transition period from 1 January 2008 to 31 December 2012.
- (b) With approval of the local tax authority and according to circular (2002 Zha Shui Guan 2 No. 0031), the entity was exempted from EIT from 1 June 2002 to 31 December 2004, and a 50% deduction from 1 January 2005 to 31 December 2007. The applicable income tax rate was 33% before 50% reduction for the year ended 31 December 2007.
- (c) The entity's applicable EIT rate was 33% for the year ended 31 December 2007. With approval of the local tax authority (Hu Shui Xu Shui Fa (2005) No 3), the entity was exempted from EIT from 1 January 2005 to 31 December 2007.
- (d) With approval of the local tax bureau, 10% of the entity's revenue was subject to EIT of 33% and 25% for the year ended 31 December 2007 and 31 December 2008, respectively. The entity was subject to EIT rate of 25% from 1 January 2009 onwards.
- (e) The entity was located in coastal economic development zone and therefore was subject to EIT rate of 26.4% for the year ended 31 December 2007.
- (f) With approval of the local tax authority (Chang Shui Suo San Mian Zi (2006) No 57), the entity was exempted from EIT from 1 January 2006 to 31 December 2008. The entity's applicable EIT rate was 25% afterwards.
- (g) The entity's applicable EIT rate was 15%, 18% and 20%, also the EIT rate of Jin Jiang Cold Logistics, during the year ended 31 December 2007, 31 December 2008 and 31 December 2009, respectively. The entity's applicable EIT rate was 25% since it was registered as a legal entity on 10 February 2010 onwards.

The deferred income tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled under the EIT Law.

The tax charge for the Relevant Period can be reconciled to the profit before tax per the consolidated income statements as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Profit before tax	<u>426,423</u>	<u>440,144</u>	<u>362,542</u>	<u>182,443</u>	<u>196,733</u>
Tax at domestic income tax rate (note 1)	63,963	79,226	72,508	36,489	43,281
Tax effect of share of net profits of associates	(20,959)	(21,953)	(14,958)	(5,342)	(10,270)
Tax effect of expenses not deductible for tax purpose	1,615	643	1,086	560	526
Tax effect of income not taxable for tax purpose	(690)	(5,295)	(7,126)	(3,686)	(2,113)
Tax effect of tax losses and deductible temporary differences not recognised	153	241	324	—	167
Utilisation of tax losses and deductible temporary differences previously not recognised	(72)	(483)	(326)	(326)	(312)
Effect of different tax rates of group entities	172	2,883	641	1,349	(167)
Change in opening deferred income taxation resulting from changes in applicable tax rate	(805)	—	—	—	—
Tax credit to the Jin Jiang Investment Group (note 2)	(4,195)	(6,425)	(2,963)	(2,963)	(3,576)
Over provision of EIT in respect of prior years	<u>(435)</u>	<u>(526)</u>	<u>(1,486)</u>	<u>(1,486)</u>	<u>—</u>
Income tax expense for the year/period	<u>38,747</u>	<u>48,311</u>	<u>47,700</u>	<u>24,595</u>	<u>27,536</u>

Notes:

1. The domestic income tax rates of 15%, 18%, 20%, 22% and 20% for the year ended 31 December 2007, 31 December 2008, 31 December 2009, six months ended 30 June 2010 and 30 June 2009, respectively, represent the applicable income tax rates of the principal group entities of the Jin Jiang Investment Group.
2. The amount represented tax credit given by the PRC local tax authorities to the group entities of Jin Jiang Investment Group for acquisition of domestic-made property, plant and equipment.

12. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Dividends recognised as distributions during the year/period:					
2007: 2006 final dividend RMB0.35 per share	193,064	—	—	—	—
2008: 2007 final dividend RMB0.40 per share	—	220,644	—	—	—
2009: 2008 final dividend RMB0.30 per share	—	—	165,483	165,483	—
2010: 2009 final dividend RMB0.30 per share	—	—	—	—	165,483
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>165,483</u>

The directors of Jin Jiang Investment do not recommend the payment of an interim dividend.

13. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Directors' emoluments (<i>note 14</i>)	1,110	1,110	1,270	635	635
Staff cost:					
— Salaries and other benefits	398,400	424,150	460,447	230,223	227,444
— Retirement benefit scheme contributions	66,707	71,923	90,397	45,198	46,846
	<u>466,217</u>	<u>497,183</u>	<u>552,114</u>	<u>276,056</u>	<u>274,925</u>
Depreciation:					
— Property, plant and equipment	288,056	288,059	257,449	121,715	124,338
— Investment properties	537	605	606	303	303
Amortisation of intangible assets	1	16	16	8	8
Amortisation of land use rights	2,410	2,409	2,509	1,255	1,255
Auditors' remuneration	2,841	2,316	2,418	890	890
Cost of inventories recognised as an expense	400,769	446,261	454,190	210,782	259,864
And after crediting:					
Rental income from investment properties, with negligible outgoings	<u>5,845</u>	<u>5,863</u>	<u>5,549</u>	<u>2,767</u>	<u>3,325</u>

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of the emoluments paid or payable to the directors of Jin Jiang Investment for the Relevant Period are as follows:

	Year ended 31 December 2007			Total RMB'000
	Director fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	
Executive directors:	—	—	—	—
— Mr. Yang Yuanping	—	490	10	500
— Ms. Yu Jianmin	—	440	10	450
— Mr. Shen Maoxing (note 3)	—	—	—	—
— Ms. Chen Wenjun (note 3)	—	—	—	—
— Mr. Ma Mingju (note 3)	—	—	—	—
— Mr. Zhang Baohua (note 3)	—	—	—	—
— Mr. Cai Qingfeng	—	—	—	—
Independent non-executive directors:				
— Mr. Chen Xiangling	40	—	—	40
— Mr. Qin Zhiliang	40	—	—	40
— Mr. Liu Zhengdong	40	—	—	40
— Mr. Liu Yongzhang	40	—	—	40
	<u>160</u>	<u>930</u>	<u>20</u>	<u>1,110</u>

	Year ended 31 December 2008			Total RMB'000
	Director fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	
Executive directors:	—	—	—	—
— Mr. Yang Yuanping	—	489	11	500
— Ms. Yu Jianmin	—	439	11	450
— Mr. Shen Maoxing (note 3)	—	—	—	—
— Ms. Chen Wenjun (note 3)	—	—	—	—
— Mr. Ma Mingju (note 3)	—	—	—	—
— Mr. Zhang Baohua (note 3)	—	—	—	—
— Mr. Cai Qingfeng	—	—	—	—
Independent non-executive directors:				
— Mr. Chen Xiangling	40	—	—	40
— Mr. Qin Zhiliang	40	—	—	40
— Mr. Liu Zhengdong	40	—	—	40
— Mr. Liu Yongzhang	40	—	—	40
	<u>160</u>	<u>928</u>	<u>22</u>	<u>1,110</u>

	Year ended 31 December 2009			
	Director fees	Basic salaries and allowances	Retirement	Total
			benefit scheme contributions	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Executive directors:	—	—	—	—
— Mr. Yang Yuanping	—	487	13	500
— Ms. Yu Jianmin	—	437	13	450
— Mr. Shen Maoxing (note 3)	—	—	—	—
— Ms. Chen Wenjun (note 3)	—	—	—	—
— Mr. Ma Mingju (note 3)	—	—	—	—
— Mr. Zhang Baohua (note 3)	—	—	—	—
— Mr. Cai Qingfeng	—	—	—	—
Independent non-executive directors:				
— Mr. Chen Xiangling (note 1)	33	—	—	33
— Mr. Qin Zhiliang (note 1)	33	—	—	33
— Mr. Liu Zhengdong (note 1)	33	—	—	33
— Mr. Liu Yongzhang	80	—	—	80
— Mr. Hu Maoyuan (note 2)	47	—	—	47
— Mr. Lu Honggui (note 2)	47	—	—	47
— Ms. Lin Lihua (note 2)	47	—	—	47
	<u>320</u>	<u>924</u>	<u>26</u>	<u>1,270</u>

Six months ended 30 June 2009 (Unaudited)

	Six months ended 30 June 2009 (Unaudited)			
	Director fees	Basic salaries and allowances	Retirement	Total
			benefit scheme contributions	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Executive directors:	—	—	—	—
— Mr. Yang Yuanping	—	244	6	250
— Ms. Yu Jianmin	—	219	6	225
— Mr. Shen Maoxing (note 3)	—	—	—	—
— Ms. Chen Wenjun (note 3)	—	—	—	—
— Mr. Ma Mingju (note 3)	—	—	—	—
— Mr. Zhang Baohua (note 3)	—	—	—	—
— Mr. Cai Qingfeng	—	—	—	—
Independent non-executive directors:				
— Mr. Chen Xiangling (note 1)	33	—	—	33
— Mr. Qin Zhiliang (note 1)	33	—	—	33
— Mr. Liu Zhengdong (note 1)	33	—	—	33
— Mr. Liu Yongzhang	40	—	—	40
— Mr. Hu Maoyuan (note 2)	7	—	—	7
— Mr. Lu Honggui (note 2)	7	—	—	7
— Ms. Lin Lihua (note 2)	7	—	—	7
	<u>160</u>	<u>463</u>	<u>12</u>	<u>635</u>

	Six months ended 30 June 2010			
	Director fees	Basic salaries and allowances	Retirement	Total
			benefit scheme contributions	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:	—	—	—	—
— Mr. Yang Yuanping	—	243	7	250
— Ms. Yu Jianmin	—	218	7	225
— Mr. Shen Maoxing (<i>note 3</i>)	—	—	—	—
— Ms. Chen Wenjun (<i>note 3</i>)	—	—	—	—
— Mr. Ma Mingju (<i>note 3</i>)	—	—	—	—
— Mr. Zhang Baohua (<i>note 3</i>)	—	—	—	—
— Mr. Cai Qingfeng	—	—	—	—
Independent non-executive directors:				
— Mr. Liu Yongzhang	40	—	—	40
— Mr. Hu Maoyuan	40	—	—	40
— Mr. Lu Honggui	40	—	—	40
— Ms. Lin Lihua	40	—	—	40
	<u>160</u>	<u>461</u>	<u>14</u>	<u>635</u>

Notes:

- Retired from independent non-executive director of Jin Jiang Investment with effect from 22 May 2009.
- Appointed as independent non-executive director of Jin Jiang Investment with effect from 22 May 2009.
- The directors did not receive any emoluments from the Jin Jiang Investment Group during the Relevant Period. They were paid by Jin Jiang International and it was considered impractical to make an allocation of their emoluments.

During the Relevant Period, no emoluments were paid by the Jin Jiang Investment Group to the directors of Jin Jiang Investment as inducement to join or upon joining the Jin Jiang Investment Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Period.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Jin Jiang Investment Group, 2, 2, 2, 2 and 2 were directors of Jin Jiang Investment for each of the years ended 31 December 2007, 31 December 2008 and 31 December 2009 and the six months ended 30 June 2009 and 30 June 2010, respectively, details of whose emoluments are included in the disclosures in (a) above.

The emoluments of the remaining 3, 3, 3, 3 and 3 individuals during the Relevant Period were as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and allowances	800	797	931	467	464
Retirement benefit scheme contributions	30	33	39	18	21
	<u>830</u>	<u>830</u>	<u>970</u>	<u>485</u>	<u>485</u>

The emoluments of the five highest paid individuals during the Relevant Period were within HKD1,000,000.

During the Relevant Period, no emoluments was paid by the Jin Jiang Investment Group to the five individuals with the highest emoluments in the Jin Jiang Investment Group as an inducement to join or upon joining the Jin Jiang Investment Group or as compensation for loss of office.

15. EARNINGS PER SHARE

The calculation of basic earnings per share for the Relevant Period is based on the profit for the year/period attributable to shareholders of Jin Jiang Investment for each of the Relevant Period and on the basis of 551,610,107 shares issued throughout the Relevant Period.

There were no potential dilutive shares in existence during the Relevant Period and therefore, no diluted earnings per share have been presented.

16. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2008, the directors of Jin Jiang Investment resolved to dispose of certain operating vehicles. Negotiations with several interested parties had subsequently taken place. The assets with carrying amount of approximately RMB5,067,000 at 31 December 2008, which were expected to be sold within twelve months, had been classified from property, plant and equipment as assets held for sale and were presented separately in the consolidated statement of financial position. The net proceeds of disposal were approximately RMB10,179,000, which exceeded the net carrying amount of the relevant assets and a gain on disposal of RMB5,112,000 was resulted during the year ended 31 December 2009, and accordingly, no impairment loss was recognised for the year 2008.

17. PROPERTY, PLANT AND EQUIPMENT

The Jin Jiang Investment Group

	Buildings RMB'000	Plant and machinery RMB'000	Equipment and furniture RMB'000	Operating vehicles RMB'000	Other vehicles RMB'000	Leasehold and hotel improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2007	227,958	95,718	35,743	1,594,208	219,553	1,648	18,441	2,193,269
Additions	291	2,682	3,003	36,544	22,774	391	166,406	232,091
Transfers	79	1,514	740	161,481	15,804	1,150	(180,768)	—
Disposed on disposal of a subsidiary	—	(5,939)	(43)	—	(823)	—	—	(6,805)
Disposals	(1,336)	(8,795)	(1,018)	(188,043)	(36,581)	—	—	(235,773)
At 31 December 2007	226,992	85,180	38,425	1,604,190	220,727	3,189	4,079	2,182,782
Additions	783	3,535	1,788	35,581	48,798	342	184,775	275,602
Transfers	295	602	240	172,743	9,646	1,388	(184,914)	—
Acquired on acquisition of a subsidiary	450	101	—	104	—	—	—	655
Reclassified to investment properties	(2,610)	—	—	—	—	—	—	(2,610)
Reclassified as held for sale	—	—	—	(56,584)	—	—	—	(56,584)
Disposals	(2,509)	(2,160)	(1,447)	(256,008)	(57,459)	—	—	(319,583)
At 31 December 2008	223,401	87,258	39,006	1,500,026	221,712	4,919	3,940	2,080,262
Additions	867	2,297	1,718	9,680	11,678	1,221	305,256	332,717
Transfer	1,781	1,729	1,574	234,786	9,788	—	(249,658)	—
Disposed on disposal of subsidiaries	—	(38,288)	—	(78,026)	(1,578)	—	—	(117,892)
Disposals	(3,295)	(1,572)	(1,379)	(228,173)	(38,845)	—	—	(273,264)
At 31 December 2009	222,754	51,424	40,919	1,438,293	202,755	6,140	59,538	2,021,823
Additions	752	139	677	249,601	11,147	1,101	37,338	300,755
Transfers	—	—	287	—	2,538	(181)	(2,644)	—
Disposals	(5)	(2,877)	(549)	(115,911)	(12,003)	—	—	(131,345)
At 30 June 2010	223,501	48,686	41,334	1,571,983	204,437	7,060	94,232	2,191,233
DEPRECIATION AND IMPAIRMENT								
At 1 January 2007	(64,700)	(59,601)	(20,554)	(831,367)	(95,255)	(125)	—	(1,071,602)
Provided for the year	(10,577)	(6,513)	(3,663)	(235,277)	(31,584)	(442)	—	(288,056)
Disposed on disposal of a subsidiary	—	4,614	31	—	740	—	—	5,385
Eliminated on disposals	724	8,045	680	161,383	29,056	—	—	199,888
At 31 December 2007	(74,553)	(53,455)	(23,506)	(905,261)	(97,043)	(567)	—	(1,154,385)
Provided for the year	(10,245)	(6,360)	(3,545)	(223,865)	(43,217)	(827)	—	(288,059)
Acquired on acquisition of a subsidiary	(31)	(87)	—	(2)	—	—	—	(120)
Reclassified to investment properties	600	—	—	—	—	—	—	600
Reclassified as held for sale	—	—	—	51,517	—	—	—	51,517
Eliminated on disposals	1,405	1,889	1,304	234,941	37,697	—	—	277,236
At 31 December 2008	(82,824)	(58,013)	(25,747)	(842,670)	(102,563)	(1,394)	—	(1,113,211)
Provided for the year	(9,859)	(4,449)	(3,708)	(203,470)	(34,600)	(1,363)	—	(257,449)
Disposed on disposal of subsidiaries	—	29,928	—	30,986	1,234	—	—	62,148
Eliminated on disposals	2,432	1,380	1,210	192,648	31,436	—	—	229,106
At 31 December 2009	(90,251)	(31,154)	(28,245)	(822,506)	(104,493)	(2,757)	—	(1,079,406)
Provided for the period	(4,883)	(2,036)	(1,124)	(99,264)	(16,378)	(653)	—	(124,338)
Eliminated on disposals	4	2,310	466	104,772	8,391	—	—	115,943
At 30 June 2010	(95,130)	(30,880)	(28,903)	(816,998)	(112,480)	(3,410)	—	(1,087,801)
CARRYING VALUES								
At 31 December 2007	152,439	31,725	14,919	698,929	123,684	2,622	4,079	1,028,397
At 31 December 2008	140,577	29,245	13,259	657,356	119,149	3,525	3,940	967,051
At 31 December 2009	132,503	20,270	12,674	615,787	98,262	3,383	59,538	942,417
As at 30 June 2010	128,371	17,806	12,431	754,985	91,957	3,650	94,232	1,103,432

Jin Jiang Investment

	Buildings RMB'000	Plant and machinery RMB'000	Equipment and furniture RMB'000	Other vehicles RMB'000	Leasehold and hotel improvements RMB'000	Construction in Progress RMB'000	Total RMB'000
COST							
At 1 January 2007	60,685	4,797	3,672	160	1,382	—	70,696
Additions	—	47	1,287	—	—	2,142	3,476
Transfers	—	—	—	—	894	(894)	—
Disposals	—	—	(58)	—	—	—	(58)
At 31 December 2007	60,685	4,844	4,901	160	2,276	1,248	74,114
Additions	—	454	57	—	197	124	832
Transfers	—	—	78	—	1,294	(1,372)	—
Disposals	(450)	—	—	—	—	—	(450)
At 31 December 2008	60,235	5,298	5,036	160	3,767	—	74,496
Additions	—	17	40	—	126	—	183
At 31 December 2009	60,235	5,315	5,076	160	3,893	—	74,679
Additions	—	—	57	—	135	—	192
Transfers	—	—	—	—	—	—	—
At 30 June 2010	60,235	5,315	5,133	160	4,028	—	74,871
DEPRECIATION							
At 1 January 2007	(15,576)	(1,117)	(2,444)	(24)	(125)	—	(19,286)
Provided for the year	(1,739)	(649)	(144)	(36)	(222)	—	(2,790)
Eliminated on disposals	—	—	43	—	—	—	43
At 31 December 2007	(17,315)	(1,766)	(2,545)	(60)	(347)	—	(22,033)
Provided for the year	(1,583)	(347)	(678)	(36)	(682)	—	(3,326)
Eliminated on disposals	132	—	—	—	—	—	132
At 31 December 2008	(18,766)	(2,113)	(3,223)	(96)	(1,029)	—	(25,227)
Provided for the year	(1,583)	(209)	(509)	(36)	(798)	—	(3,135)
At 31 December 2009	(20,349)	(2,322)	(3,732)	(132)	(1,827)	—	(28,362)
Provided for the year	(791)	(98)	(207)	(12)	(405)	—	(1,513)
At 30 June 2010	(21,140)	(2,420)	(3,939)	(144)	(2,232)	—	(29,875)
CARRYING VALUES							
At 31 December 2007	43,370	3,078	2,356	100	1,929	1,248	52,081
At 31 December 2008	41,469	3,185	1,813	64	2,738	—	49,269
At 31 December 2009	39,886	2,993	1,344	28	2,066	—	46,317
At 31 June 2010	39,095	2,895	1,194	16	1,796	—	44,996

The above items of property, plant and equipment, other than construction in progress and operating vehicles, after taking into account of their estimated residual values, are depreciated on a straight-line basis at the following rates per annum:

Buildings	1.8–4.8%
Plant and machinery	4.5–19.2%
Equipment and furniture	9.0–32.0%
Other vehicles	9.0–19.2%
Leasehold and hotel improvements	20.0%

For the two years ended 31 December 2008 and three months ended 31 March 2009, except for taxis and minibuses which were depreciated using double-declining-balance method over six years with estimated residual value of 5% of the original cost, other operating vehicles of the Jin Jiang Investment

Group were depreciated using straight-line method over estimated useful life ranging from five years to ten years with estimated residual value ranging from 4% to 5% of the original cost. The estimated useful life and estimated residual value of the operating vehicles of the Jin Jiang Investment Group changed to four years and 10% of the original cost and the operating vehicles were depreciated using straight-line method for the period from 1 April 2009 onwards.

At 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, included in the property, plant and equipment of the Jin Jiang Investment Group are buildings with carrying amounts of approximately RMB14,418,000, RMB12,156,000, RMB9,893,000 and RMB8,762,000, respectively, located in the PRC and was in the process of obtaining the certificates.

At 31 December 2007, 31 December 2008 and 31 December 2009, included in the property, plant and equipment of Jin Jiang Investment Group are buildings with carrying amounts of RMB7,265,000, RMB5,196,000 and RMB4,890,000, respectively, located in the PRC and the certificates were not updated, the owners as stated on the certificates of the buildings were still the ex-owners. During the six months ended 30 June 2010, the Jin Jiang Investment Group obtained legal titles of all the buildings included in the property, plant and equipment.

During the period ended 30 June, 2010, a subsidiary of Jin Jiang Investment has acquired new operating vehicles from vendors and has been granted certain operating rights at no cost to operate these new vehicles under the brand name with the Shanghai World Expo during the Shanghai Expo period. As part of the arrangement, the subsidiary would acquire certain license of operating vehicles in the market. During the six months ended 30 June 2010, the subsidiary was in the process of acquiring such operating vehicle license. The further arrangement of the operating license will be assessed and determined by the relevant authority after the Shanghai Expo period.

18. LAND USE RIGHTS

The amounts of the Jin Jiang Investment Group and Jin Jiang Investment represent land use rights in respect of land lease situated in the PRC. Except for the land use rights as discussed below, the land use rights held by the Jin Jiang Investment Group and Jin Jiang Investment were under medium-term leases.

Included in the land use rights of the Jin Jiang Investment Group was land lease with carrying amounts of approximately RMB42,107,000, RMB42,107,000, RMB42,107,000 and RMB42,107,000 at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively, acquired by way of acquisition of a subsidiary of the Jin Jiang Investment Group in 2006. The land lease does not specify the lease term and in the opinion of the directors of Jin Jiang Investment, the land use rights have indefinite useful life and therefore they were not amortised.

Included in land use rights of the Jin Jiang Investment Group are land use rights with carrying amounts of RMB14,230,000, RMB14,230,000, RMB14,230,000, at 31 December 2007, 31 December 2008 and 31 December 2009, respectively, which are located in the PRC, the land use right certificate was not updated and the owner as stated on the certificate was still the ex-owner. During the six months ended 30 June 2010, the Jin Jiang Investment Group obtained legal titles of all the land use rights.

19. INVESTMENT PROPERTIES

The Jin Jiang Investment Group

	Buildings <i>RMB'000</i>
COST	
At 1 January 2007, 31 December 2007, 1 January 2008	26,755
Reclassified from property, plant and equipment	<u>2,610</u>
At 31 December 2008, 1 January 2009, 31 December 2009, 1 January 2010 and 30 June 2010	<u><u>29,365</u></u>
DEPRECIATION	
At 1 January 2007	(3,422)
Provided for the year	<u>(537)</u>
At 31 December 2007	(3,959)
Provided for the year	(605)
Reclassified from property, plant and equipment	<u>(600)</u>
At 31 December 2008	(5,164)
Provided for the year	<u>(606)</u>
At 31 December 2009	(5,770)
Provided for the period	<u>(303)</u>
At 30 June 2010	<u>(6,073)</u>
CARRYING VALUES	
At 31 December 2007	<u><u>22,796</u></u>
At 31 December 2008	<u><u>24,201</u></u>
At 31 December 2009	<u><u>23,595</u></u>
At 30 June 2010	<u><u>23,292</u></u>

Jin Jiang Investment

	Buildings <i>RMB'000</i>
COST	
At 1 January 2007, 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010	<u>24,591</u>
DEPRECIATION	
At 1 January 2007	(2,210)
Provided for the year	<u>(442)</u>
At 31 December 2007	(2,652)
Provided for the year	<u>(442)</u>
At 31 December 2008	(3,094)
Provided for the year	<u>(443)</u>
At 31 December 2009	(3,537)
Provided for the period	<u>(221)</u>
At 30 June 2010	<u>(3,758)</u>
CARRYING VALUES	
At 31 December 2007	<u>21,939</u>
At 31 December 2008	<u>21,497</u>
At 31 December 2009	<u>21,054</u>
At 30 June 2010	<u>20,833</u>

The fair value of the Jin Jiang Investment Group's investment properties at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 which included building with the carrying amounts of approximately RMB22,796,000, RMB24,201,000, RMB23,595,000 and RMB23,292,000, respectively, and the land leases with carrying amount of approximately RMB12,687,000, RMB12,427,000, RMB12,167,000 and RMB12,037,000, respectively, were approximately RMB81,808,000, RMB91,253,000, RMB89,852,000 and RMB86,636,000, respectively.

The fair values of Jin Jiang Investment's investment properties at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 which included buildings with carrying amounts of approximately RMB21,939,000, RMB21,947,000, RMB21,054,000 and RMB20,833,000, respectively, and the related land leases with minimal carrying amounts at the end of each respective reporting period, were RMB42,268,000, RMB45,473,000, RMB41,975,000 and RMB38,409,000, respectively. The fair values have been arrived at based on best estimate of the directors of Jin Jiang Investment. The valuations were determined by reference to recent market prices and rental yield for similar properties in the same locations and conditions.

The above items represented buildings erected on land lease in the PRC, after taking into account of their estimated residual values, are depreciated on a straight-line basis at rates ranging from 1.8% to 4.8% per annum.

20. GOODWILL

The Jin Jiang Investment Group

	As at 31 December		As at 30 June	
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost	<u>48,178</u>	<u>48,178</u>	<u>48,178</u>	<u>48,178</u>

Goodwill above is allocated to the cash generating units of certain jointly controlled entities operating in provision of vehicle operating services and relevant business in the PRC.

The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct cost during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the Relevant Period, the Jin Jiang Investment Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budgets approved by management using applicable discount rates at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 which the management of the Jin Jiang Investment Group considered that the rates could reflect current market assessments of the time value of money and the risks specific to the cash generating units. The cash flows were extrapolated using growth rates based on industry growth forecasts. No impairment loss was considered necessary.

21. INTANGIBLE ASSETS

The Jin Jiang Investment Group

	License of operating vehicles RMB'000	Software RMB'000	Total RMB'000
COST			
At 1 January 2007	106,489	—	106,489
Additions	954	80	1,034
At 31 December 2007	107,443	80	107,523
Additions	190	—	190
Acquired on acquisition of a subsidiary (<i>note 38</i>)	12,107	—	12,107
Disposals	(146)	—	(146)
At 31 December 2008	119,594	80	119,674
Additions	81,510	—	81,510
At 31 December 2009	201,104	80	201,184
Additions	13,772	—	13,772
As at 30 June 2010	214,876	80	214,956
AMORTISATION			
At 1 January 2007	—	—	—
Charge for the year	—	(1)	(1)
At 31 December 2007	—	(1)	(1)
Charge for the year	—	(16)	(16)
At 31 December 2008	—	(17)	(17)
Charge for the year	—	(16)	(16)
At 31 December 2009	—	(33)	(33)
Charge for the period	—	(8)	(8)
As at 30 June 2010	—	(41)	(41)
CARRYING VALUES			
At 31 December 2007	107,443	79	107,522
At 31 December 2008	119,594	63	119,657
At 31 December 2009	201,104	47	201,151
As at 30 June 2010	214,876	39	214,915

Software is amortised on a straight-line basis over 5 years, the estimated useful life.

The license of operating vehicles is freely transferrable and has indefinite useful life which does not require renewal. The license has no foreseeable limit to the period over which the licensed service is expected to generate net cash inflows for the Jin Jiang Investment Group. It has been tested for impairment annually and whenever there is an indication that it may have been impaired. Particulars of the impairment testing are disclosed in note 22.

22. IMPAIRMENT TESTING ON INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFES

For the purposes of impairment testing, license of operating vehicles has been allocated to the cash generating unit (the "CGU") of vehicle operating business that is expected to generate future economic benefits.

At the end of each of reporting period during the Relevant Period, management of the Jin Jiang Investment Group determined that the CGU containing license of operating vehicles had not suffered any impairment. The basis of recoverable amount of the above CGU and the major underlying assumptions are summarised below:

The recoverable amount of the CGU has been determined based on the value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management of Jin Jiang Investment Group and applicable discount rates. Other key assumptions for the value in use calculation related to the estimation of cash inflows/outflows included budgeted sales and gross margin and such estimation was based on the CGU's past performance and management's expectations for the market development. Management of Jin Jiang Investment Group believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGU to fall below its carrying amount. No impairment loss was considered necessary.

23. INTERESTS IN ASSOCIATES

The Jin Jiang Investment Group

	As at 31 December		As at 30 June	
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of unlisted investments in associates	131,387	131,387	131,387	131,387
Share of post-acquisition profits, net of dividends received	<u>123,649</u>	<u>113,020</u>	<u>94,894</u>	<u>92,375</u>
	<u><u>255,036</u></u>	<u><u>244,407</u></u>	<u><u>226,281</u></u>	<u><u>223,762</u></u>

As at 31 December 2007, 31 December 2008 and 31 December 2009 and 30 June 2010, the Jin Jiang Investment Group had interests in the following principal associates:

Name of entity	Please establishment/ operation	Proportion of nominal value of issued capital/voting power held by the Jin Jiang Investment Group				Fully paid and registered capital	Principal activities
		As at 31 December		As at 30 June			
		2007	2008	2009	2010		
上海錦江汽車銷售服務有限公司 (Shanghai Jin Jiang Automobile Sales Co., Ltd.*)	PRC	30%	30%	30%	30%	RMB5,000,000	Trading of automobile and related parts
上海錦江客運有限公司 (Shanghai Jin Jiang Public Traffic Co., Ltd.*)	PRC	30%	30%	30%	30%	RMB10,000,000	Provision of transportation services
上海永達風度汽車銷售服務有限公司 (Shanghai Yongda Fengdu Automobile Distribution and Services Co., Ltd.*)	PRC	40%	40%	40%	40%	RMB15,000,000	Trading of automobile and related parts
上海浦東國際機場貨運站有限公司 (Shanghai Pudong International Airport Transport Terminal Co. Ltd.*) ("Shanghai Pudong International")	PRC	20%	20%	20%	20%	RMB311,610,000	Provision of transportation services
江蘇南京長途汽車客運集團有限責任公司 (Nanjing Long Distance Passenger Transport Group Co., Ltd.*)	PRC	23%	23%	23%	23%	RMB110,000,000	Provision of transportation services
世聯錦江物流有限公司 (Shitan Jinjiang Logistics Co., Ltd.*)	PRC	25%	25%	25%	25%	USD10,000,000	Provision of transportation services

* *The English names are for identification purpose only*

The above table lists the associates of the Jin Jiang Investment Group which, in the opinion of the directors of Jin Jiang Investment, principally affected the results of the year/period or form a substantial portion of the net assets of the Jin Jiang Investment Group. To give details of other associates would, in the opinion of the directors of Jin Jiang Investment result in particulars of excessive length.

The summarised financial information in respect of the Jin Jiang Investment Group's associates is set out below:

	As at 31 December		As at 30 June	
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	2,079,443	2,010,637	1,962,092	1,978,422
Total liabilities	(793,069)	(768,558)	(783,735)	(847,267)
Net assets	<u>1,286,374</u>	<u>1,242,079</u>	<u>1,178,357</u>	<u>1,131,155</u>
The Jin Jiang Investment Group's share of net assets of associates	<u>255,036</u>	<u>244,407</u>	<u>226,281</u>	<u>223,762</u>

The Jin Jiang Investment Group

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	<u>2,185,450</u>	<u>2,131,475</u>	<u>2,036,926</u>	<u>1,060,601</u>
Profit for the year/period	<u>683,942</u>	<u>592,076</u>	<u>347,851</u>	<u>229,533</u>
The Jin Jiang Investment Group's share of the associates' results for the year/period	<u>139,729</u>	<u>121,961</u>	<u>74,789</u>	<u>46,683</u>

Jin Jiang Investment

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of unlisted interests in associates	<u>1,615</u>	<u>—</u>	<u>—</u>	<u>—</u>

24. INTERESTS IN JOINTLY CONTROLLED ENTITIES

The Jin Jiang Investment Group

As at 31 December 2007, 31 December 2008 and 31 December 2009 and 30 June 2010, the Jin Jiang Investment Group had interests in the following jointly controlled entities:

Name of entities	Please and date of establishment/operation	Proportion of nominal value of issued capita/voting power held by the Jin Jiang Investment Group				Fully paid and registered capital	Principal activities
		As at 31 December		As at 30 June			
		2007	2008	2009	2010		
JHJ International	PRC	50%	50%	50%	50%	USD10,000,000	Freight forwarding business
Dazhong New Asia (note 1)	PRC	49.5%	49.5%	49.5%	49.5%	RMB30,000,000	Provision of transportation services
Jin Jiang Yaohua Taxi Services (note 2)	PRC	50%	N/A	N/A	N/A	RMB2,220,000	Provision of transportation services
Zhendong Taxi Services	PRC	50%	50%	50%	50%	USD7,900,000	Provision of transportation services
Jinmao Jin Jiang Automobile	PRC	50%	50%	50%	50%	RMB22,000,000	Provision of transportation services
Vehicle Driver Training (note 3)	PRC	33.33%	33.33%	33.33%	33.33%	RMB10,000,000	Provision of transportation services
Nissan Maintenance	PRC	50%	50%	50%	50%	RMB2,918,000	Provision of transportation services

Name of entities	Please and date of establishment/operation	Proportion of nominal value of issued capita/voting power held by the Jin Jiang Investment Group				Fully paid and registered capital	Principal activities
		As at 31 December		As at 30 June			
		2007	2008	2009	2010		
Wanguo Automobile	PRC	50%	50%	50%	50%	RMB2,000,000	Provision of transportation services
Jin Jiang Jiayou Automobile	PRC	50%	50%	50%	50%	RMB24,700,000	Provision of transportation services
Yongda Secondhand	PRC	50%	50%	50%	50%	RMB9,000,000	Trading of automobile and related parts
Changle Road Gas Station	PRC	50%	50%	50%	50%	RMB300,000	Provision of transportation services
Sheshan Automobile Services	PRC	50%	50%	50%	50%	RMB1,000,000	Provision of transportation services

Notes:

1. There are three shareholders holding equity interest in the entity, of which the Jin Jiang Investment Group and one of the other shareholders each hold 49.5% (the "Another Shareholder"), respectively, and the remaining shareholder holds 1% equity interest in the entity. Out of the six directors of the entity, the Jin Jiang Investment Group and Another Shareholder each appointed three directors in the board of directors of the entity, respectively, while a valid board resolution requires two-thirds of the total votes. The Jin Jiang Investment Group and Another Shareholder have joint control to direct the financial and operational policies of the entity. Therefore, it is a jointly controlled entity of the Jin Jiang Investment Group.
2. The entity became wholly-owned subsidiary of the Jin Jiang Investment Group upon acquisition of additional 50% equity interest during the year ended 31 December 2008. Details of transaction are set out in note 38.
3. There are three shareholders holding equity interest in the entity, of which the Jin Jiang Investment Group and the other two shareholders each hold 33.3% (the "Two Shareholders") equity interest in the entity, respectively. Out of the seven directors of the entity, each of the Jin Jiang Investment Group and the Two Shareholders appointed two directors in the board of directors of the entity, respectively, and the remaining director was appointed by the Jin Jiang Investment Group and the Two Shareholders jointly, while a valid board resolution requires two-thirds of the total votes. The Jin Jiang Investment Group and the Two Shareholders have joint control to direct the financial and operational policies of the entity. Therefore, it is a jointly controlled entity of the Jin Jiang Investment Group.

The summarised financial information in respect of the Jin Jiang Investment Group's interests in the jointly controlled entities which are accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	<u>321,828</u>	<u>322,316</u>	<u>319,207</u>	<u>390,070</u>
Non-current assets	<u>250,628</u>	<u>243,346</u>	<u>224,697</u>	<u>219,812</u>
Current liabilities	<u>211,271</u>	<u>180,703</u>	<u>182,235</u>	<u>260,624</u>
Non-current liabilities	<u>271</u>	<u>807</u>	<u>1,062</u>	<u>1,062</u>
	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Income recognised in profit or loss	<u>1,447,473</u>	<u>1,478,785</u>	<u>984,209</u>	<u>641,381</u>
Expenses recognised in profit or loss	<u>1,388,720</u>	<u>1,408,460</u>	<u>928,627</u>	<u>621,010</u>
Other comprehensive income	<u>—</u>	<u>1,294</u>	<u>1,843</u>	<u>—</u>
Jin Jiang Investment				
	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of unlisted interests in jointly controlled entities	<u>125,650</u>	<u>125,650</u>	<u>125,650</u>	<u>125,650</u>
25. INVESTMENTS IN SUBSIDIARIES				
	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Jin Jiang Investment				
Unlisted investments, at cost	<u>685,136</u>	<u>685,136</u>	<u>685,136</u>	<u>685,136</u>

26. AMOUNTS DUE FROM SUBSIDIARIES

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Jin Jiang Investment				
Amounts due from subsidiaries (<i>note</i>)	<u>59,528</u>	<u>43,212</u>	<u>90,528</u>	<u>40,185</u>

Note: The amounts are unsecured, interest-free and repayable on demand. In the opinion of the directors of Jin Jiang Investment, the amounts expect to be recovered within one year from the end of each reporting period.

27. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December		At 30 June		As at 31 December		At 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Listed investments at fair value:								
— equity securities listed in the PRC	218,620	92,580	165,654	117,297	189,965	77,283	139,394	96,417
Unlisted securities at cost:								
— equity securities	<u>118,562</u>	<u>112,263</u>	<u>107,426</u>	<u>107,426</u>	<u>99,979</u>	<u>93,680</u>	<u>93,680</u>	<u>93,680</u>
	<u>337,182</u>	<u>204,843</u>	<u>273,080</u>	<u>224,723</u>	<u>289,944</u>	<u>170,963</u>	<u>233,074</u>	<u>190,097</u>
	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December		At 30 June		As at 31 December		At 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Analysed for reporting purposes as:								
— Current asset (<i>note</i>)	—	—	—	16,555	—	—	—	16,555
— Non-current asset	<u>337,182</u>	<u>204,843</u>	<u>273,080</u>	<u>208,168</u>	<u>289,944</u>	<u>170,963</u>	<u>233,074</u>	<u>173,542</u>
	<u>337,182</u>	<u>204,843</u>	<u>273,080</u>	<u>224,723</u>	<u>289,944</u>	<u>170,963</u>	<u>233,074</u>	<u>190,097</u>

Note: Pursuant to a board resolution on 27 May 2010, the Jin Jiang Investment Group proposed to dispose of 1.87% equity interests in 上海東錦江大酒店有限公司 Sofitel Jin Jiang Oriental Hotel (“Sofitel Jin Jiang Oriental”), which was a jointly controlled entity of Jin Jiang International, and the investment cost had been previously accounted for as available-for-sale financial assets carried at cost during the Relevant Period, to the Jin Jiang International for a consideration of approximately RMB17,584,000. The estimated gain on disposal of the investments was approximately RMB1,029,000. The transaction was completed in August 2010 when the Jin Jiang Investment Group has no longer held any equity interest in Sofitel Jin Jiang Oriental. Therefore, the carrying amount of the investment in Sofitel Jin Jiang Oriental of the Jin Jiang Investment Group and Jin Jiang Investment were classified as current as at 30 June 2010.

The unlisted investments represent unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors of Jin Jiang Investment are of the opinion that their fair values cannot be measured reliably.

Included in the unlisted equity securities with carrying amount of RMB4,833,000, RMB4,833,000 and nil at 31 December 2007, 31 December 2008 and 31 December 2009 was investment cost in an investee of the Jin Jiang Investment Group, which the Jin Jiang Investment Group lost control and the investee was under

liquidation during the three years ended 31 December 2009. The gain on liquidation of RMB13,752,000 has been recognised in profit or loss for the year ended 31 December 2009 upon the completion of the liquidation of the investee in the year ended 31 December 2009.

28. AMOUNT DUE FROM AN ASSOCIATE

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Analysed as:								
Current	4,231	4,231	4,231	4,231	—	—	—	—
Non-current	16,922	12,691	8,461	8,461	—	—	—	—
	<u>21,153</u>	<u>16,922</u>	<u>12,692</u>	<u>12,692</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The amount represents loan receivable with principal amount RMB50,768,000 from an associate named Shanghai Pudong International for its working capital purpose. The loan receivable is interest-free and repayable in twelve equal annual instalments starting from 1 January 2001.

29. INVENTORIES

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Merchandise	29,922	36,138	35,347	48,573	—	—	—	—
Consumables	13,773	13,626	11,614	6,219	135	100	105	82
	<u>43,695</u>	<u>49,764</u>	<u>46,961</u>	<u>54,792</u>	<u>135</u>	<u>100</u>	<u>105</u>	<u>82</u>

30. TRADE AND OTHER RECEIVABLES

	NOTES	The Jin Jiang Investment Group				Jin Jiang Investment			
		As at 31 December		At 30 June		As at 31 December		At 30 June	
		2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables	(a)								
— Jin Jiang International		—	—	35	—	—	—	—	—
— Fellow subsidiaries		2,828	768	384	567	—	—	—	—
— Jointly controlled entities of the Jin Jiang Investment Group		35	—	—	—	—	—	—	—
— Third parties		201,444	183,516	168,240	249,808	190	159	142	454
Less: allowance for doubtful debts		(3,969)	(1,704)	(864)	(1,796)	(1)	(1)	(1)	(1)
		200,338	182,580	167,795	248,579	189	158	141	453
Bills receivables	(a)	1,026	2,568	2,110	3,198	—	—	—	—
		201,364	185,148	169,905	251,777	189	158	141	453
Other receivables									
— Fellow subsidiaries		—	350	—	—	—	—	—	—
— Jointly controlled entities of Jin Jiang Investment Group		519	374	—	—	—	700	—	—
— Associates of the Jin Jiang Investment Group		2,314	1	—	—	—	—	—	—
— Third parties		88,205	53,162	97,649	91,024	—	220	410	2,716
Less: allowance for doubtful debts		(176)	(102)	(89)	(68)	—	—	—	—
	(b)	90,862	53,785	97,560	90,956	—	920	410	2,716
Loan to jointly controlled entities		1,040	1,750	—	—	—	—	—	—
Advance to suppliers									
— Fellow subsidiaries		51	24	24	36	51	24	24	36
— Third parties		43,073	39,537	49,316	57,394	—	—	—	—
		43,124	39,561	49,340	57,430	51	24	24	36
Dividends receivables	(c)	80	1,176	2,008	11,345	—	—	—	29,415
		336,470	281,420	318,813	411,508	240	1,102	575	32,620

Notes:

(a) Trade and bills receivables

The Jin Jiang Investment Group and Jin Jiang Investment generally allows a credit period ranging from 0 days to 180 days to its trade customers. The following is an aged analysis of the Jin Jiang Investment Group's and Jin Jiang Investment's trade and bills receivables, net of allowance for doubtful debts presented based on the invoice date at the end of each reporting period are as follows:

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December		At 30 June		As at 31 December		At 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
0-180 days	198,944	185,142	169,717	251,714	189	158	141	453
181-365 days	2,420	—	178	63	—	—	—	—
1-2 years	—	6	10	—	—	—	—	—
	<u>201,364</u>	<u>185,148</u>	<u>169,905</u>	<u>251,777</u>	<u>189</u>	<u>158</u>	<u>141</u>	<u>453</u>

The Jin Jiang Investment Group and Jin Jiang Investment do not hold any collateral over these balances. No interest is charged on trade and bills receivables. The Jin Jiang Investment Group and Jin Jiang Investment make provision against trade and bills receivables individually, based on recoverable amounts estimated by making reference to subsequent settlement, past default experience and objective evidence.

Movements of the Jin Jiang Investment Group's and Jin Jiang Investment's allowance for doubtful debts of trade and bills receivables during the Relevant Period are as follows:

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December		At 30 June		As at 31 December		At 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/period	5,791	3,969	1,704	864	1	1	1	1
Impairment losses recognised on receivables	206	171	110	935	—	—	—	—
Amount written off as uncollectible	(220)	(830)	(503)	—	—	—	—	—
Amount recovered during the year/period	<u>(1,808)</u>	<u>(1,606)</u>	<u>(447)</u>	<u>(3)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance at end of the year/period	<u>3,969</u>	<u>1,704</u>	<u>864</u>	<u>1,796</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

Other than the above allowance for doubtful debts, the Jin Jiang Investment Group did not provide any allowance on the remaining past due receivables as, in the opinion of the directors of Jin Jiang Investment, there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. In determining the recoverability of the trade receivables, the Jin Jiang Investment Group and Jin Jiang Investment monitors any change in the credit quality of the trade and bill receivables since the credit was granted and up to the end of each reporting period.

Furthermore, in the opinion of the directors of Jin Jiang Investment, the Jin Jiang Investment Group's and Jin Jiang Investment's trade and bill receivables which are neither past due nor impaired are amounts in good credit quality and still considered recoverable based on the historical experience.

(b) Other receivables

The balances of the Jin Jiang Investment Group and Jin Jiang Investment at the end of each reporting period are interest-free, unsecured and repayable on demand.

Movements of the Jin Jiang Investment Group's and Jin Jiang Investment's allowance for doubtful debts of other receivables during the Relevant Period are as follows:

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December		At 30 June		As at 31 December		At 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/period	144	176	102	89	—	—	—	—
Impairment losses recognised on receivables	50	54	4	1	—	—	—	—
Amount written off as uncollectible	(11)	(12)	—	(9)	—	—	—	—
Amount recovered during the year/period	(7)	(116)	(17)	(13)	—	—	—	—
Balance at end of the year/period	<u>176</u>	<u>102</u>	<u>89</u>	<u>68</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(c) Dividends receivables

The amounts at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 represent dividends receivables due from associates of the Jin Jiang Investment Group which were fully recovered subsequent to the Relevant Period.

The Jin Jiang Investment Group's trade and other receivables which are denominated in currencies other than functional currency of the Jin Jiang Investment Group's group entities and Jin Jiang Investment are as follows:

	The Jin Jiang Investment Group			
	As at 31 December		As at 30 June	
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
USD	80,008	56,048	36,257	84,503
HKD	—	3	—	—
EUR	—	2,276	545	1,024

Jin Jiang Investment did not have trade and other receivables denominated in foreign currencies.

31. RESTRICTED CASH/CASH AND CASH EQUIVALENTS

The restricted cash carry an average market interest rate at 0.36% per annum at 30 June 2010.

The cash and cash equivalents carry market interest rates ranging from 0.72% to 0.81%, 0.36% to 0.72%, 0.36% to 0.72% and 0.36% per annum at 31 December 2007, 31 December 2008 and 31 December 2009 and 30 June 2010, respectively.

The Jin Jiang Investment Group's restricted cash and cash and cash equivalents and which are denominated in currencies other than functional currency of the Jin Jiang Investment Group's group entities are as follows:

	The Jin Jiang Investment Group			
	As at 31 December		As at 30 June	
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Foreign currency				
USD	37,921	31,446	14,943	23,237
EUR	400	209	392	228
JPY	341	—	—	—
HKD	187	1	—	—
	<u>38,849</u>	<u>31,656</u>	<u>15,335</u>	<u>23,465</u>

Jin Jiang Investment did not have cash and cash equivalents dominated in foreign currencies.

32. TRADE AND OTHER PAYABLES

	NOTES	The Jin Jiang Investment Group				Jin Jiang Investment			
		As at 31 December		At 30 June		As at 31 December		At 30 June	
		2007	2008	2009	2010	2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	(a)								
— Fellow subsidiaries		899	3,232	—	—	43	—	—	—
— third parties		155,930	140,395	155,404	181,483	430	560	462	298
		156,829	143,627	155,404	181,483	473	560	462	298
Note payables	(b)	4,500	—	—	6,356	—	—	—	—
Consideration payable for acquisition of operating vehicles									
— an associate of the Jin Jiang Investment Group	(c)	7,748	7,585	7,607	110,393	—	—	—	—
Other payables									
— Jin Jiang International		2,613	3,000	3,000	4,500	—	—	—	—
— Fellow subsidiaries		40,286	43,522	43,687	42,931	248	463	431	55
— associates of the Jin Jiang Investment Group		2,491	23,001	2,244	2,525	—	—	—	—
— third parties		226,437	242,335	244,979	264,633	3,004	2,987	8,290	7,012
	(d)	271,827	311,858	293,910	314,589	3,252	3,450	8,721	7,067
Advance from customers									
— Fellow subsidiaries		161	—	—	—	—	—	—	—
— third parties		111,346	106,164	116,226	116,111	317	321	336	442
		111,507	106,164	116,226	116,111	317	321	336	442
Dividends payables (note 44)		56,043	35,052	20,870	187,352	22,085	21,338	20,870	186,002
Payroll and welfare payables		112,595	96,288	76,291	95,515	6,813	4,673	2,723	2,505
		<u>721,049</u>	<u>700,574</u>	<u>670,308</u>	<u>1,011,799</u>	<u>32,940</u>	<u>30,342</u>	<u>33,112</u>	<u>196,314</u>

Notes:

(a) Trade payables

The trade payables of the Jin Jiang Investment Group and Jin Jiang Investment principally comprise amounts outstanding for trade purchases. The average credit period of the Jin Jiang Group and Jin Jiang Investment ranged from 0 to 90 days.

The aged analysis of the trade payables of the Jin Jiang Investment Group and Jin Jiang Investment presented based on the invoice date as at the end of each reporting period are as follows:

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
0-90 days	156,569	143,531	155,273	181,354	473	560	462	298
91-180 days	260	96	131	129	—	—	—	—
	<u>156,829</u>	<u>143,627</u>	<u>155,404</u>	<u>181,483</u>	<u>473</u>	<u>560</u>	<u>462</u>	<u>298</u>

(b) Note payables

The aged analysis of the note payables of the Jin Jiang Investment Group and Jin Jiang Investment presented based on the invoice date as at the end of each reporting period are as follows:

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
0-90 days	4,500	—	—	6,356	—	—	—	—
91-180 days	—	—	—	—	—	—	—	—
	<u>4,500</u>	<u>—</u>	<u>—</u>	<u>6,356</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(c) Consideration payable for acquisition of operating vehicles

Included in the balance at 30 June 2010 was an amount of approximately RMB102,815,000 which was settled by way of note payables to an associate of the Jin Jiang Investment Group.

(d) Other payables

The balances of the Jin Jiang Investment Group and Jin Jiang Investment at the end of each reporting period are unsecured, interest-free and repayable on demand.

The Jin Jiang Investment Group's and Jin Jiang Investment's trade and other payables which are denominated in currencies other than functional currency of the Jin Jiang Investment Group's group entities and Jin Jiang Investment are as follows:

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD	37,153	20,652	37,045	36,217	—	—	—	—
EUR	—	2,259	544	1,048	—	—	—	—
HKD	—	137	69	4	—	—	—	—
	<u>37,153</u>	<u>20,848</u>	<u>37,658</u>	<u>37,269</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

33. BORROWINGS

	As at 31 December		As at 30 June	
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Jin Jiang Investment Group				
Bank borrowings, due within one year:				
— Secured	—	—	—	7,149
— Unsecured	23,262	30,000	—	23,494
	<u>23,262</u>	<u>30,000</u>	<u>—</u>	<u>30,643</u>

At 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, the secured borrowings of approximately nil, nil, nil and RMB7,149,000, respectively, were secured by the restricted cash.

The Jin Jiang Investment Group's borrowings denominated in currencies other than RMB, the functional currency of the relevant group companies, were as follows:

	As at 31 December		As at 30 June	
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
USD	18,262	—	—	20,743
	<u>18,262</u>	<u>—</u>	<u>—</u>	<u>20,743</u>

The range of effective interest rates (which are also equal to contracted interest rates) of the Jin Jiang Investment Group's borrowings are as follows:

	As at 31 December		2009	At 30 June
	2007	2008		2010
Effective interest rates:				
Fixed interest rate borrowings	6.44%–7.47% per annum	3.40%–7.47% per annum	N/A	3.30%–6.05% per annum
Variable interest rate borrowings	N/A	N/A	N/A	1.10%–4.37% per annum

Included in the variable-rate borrowings at 30 June 2010 were borrowings with carrying amount of approximately RMB7,149,000 which carried interest at rates based on London Interbank Offer Rate and borrowings with carrying amount of approximately RMB6,900,000 which carried interest at rates based on benchmark rate issued by the People's Bank of China.

Jin Jiang Investment did not have any borrowings at the end of each reporting period.

34. SHARE CAPITAL

The details of the paid-in capital of Jin Jiang Investment as at 1 January 2007, 31 December 2007, 31 December 2008 and 31 December 2009 and 30 June 2010 are as follows:

Registered, issued and fully paid	A shares	Number of shares		Total
		Foreign invested shares (B shares)	Non-tradable state legal person shares	
As 1 January 2007	56,453,760	161,050,032	334,106,315	551,610,107
Share Reform Plan (as defined below)	113,304,788	—	(113,304,788)	—
At 31 December 2007	169,758,548	161,050,032	220,801,527	551,610,107
Share Reform Plan	35,795,572	—	(35,795,572)	—
At 31 December 2008	205,554,120	161,050,032	185,005,955	551,610,107
Share Reform Plan	27,580,505	—	(27,580,505)	—
At 31 December 2009	233,134,625	161,050,032	157,425,450	551,610,107
Transfer	157,425,450	—	(157,425,450)	—
At 30 June 2010	390,560,075	161,050,032	—	551,610,107
		Share capital (RMB'000)		
		Foreign invested shares (B shares)	Non-tradable state legal person shares	Total
As 1 January 2007	56,454	161,050	334,106	551,610
Share Reform Plan	113,305	—	(113,305)	—
At 31 December 2007	169,759	161,050	220,801	551,610
Share Reform Plan	35,795	—	(35,795)	—
At 31 December 2008	205,554	161,050	185,006	551,610
Share Reform Plan	27,581	—	(27,581)	—
At 31 December 2009	233,135	161,050	157,425	551,610
Share Reform Plan	157,425	—	(157,425)	—
At 30 June 2010	390,560	161,050	—	551,610

Each share has a par value of RMB1.

Pursuant to a meeting for the holders of A shares of Jin Jiang Investment held on 8 February 2006 (“Date of Reform”), a share reform plan (“Share Reform Plan”) was approved by the shareholders. Under the Share Reform Plan, 3.5 A shares for every 10 A shares would be offered by Jin Jiang International. The non-tradable state legal person shares held by Jin Jiang International would then be converted to tradable shares by the fourth anniversary of the Date of Reform.

On 13 February 2007, 13 February 2008, 13 February 2009 and 26 February 2010, 113,304,788, 35,795,572, 27,580,505 and 157,425,450 non-tradable state legal person shares were available for trading in SSE, representing 20.54%, 6.49%, 5.00% and 28.54% of the shares of Jin Jiang Investment in issue at these dates, respectively. The A Shares converted from non-tradable state legal person shares rank pari passu in all respects with other tradable shares in issue.

35. DEFERRED INCOME TAX

The following is the analysis of the deferred income tax balances for financial reporting purposes:

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December		At 30 June		As at 31 December		At 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets	2,895	2,046	1,856	2,063	1,864	1,791	1,741	1,719
Deferred income tax liabilities	(50,723)	(17,663)	(37,186)	(23,834)	(44,512)	(14,872)	(31,330)	(19,324)
	<u>(47,828)</u>	<u>(15,617)</u>	<u>(35,330)</u>	<u>(21,771)</u>	<u>(42,648)</u>	<u>(13,081)</u>	<u>(29,589)</u>	<u>(17,605)</u>

The Jin Jiang Investment Group

Deferred income tax assets	Accelerated tax depreciation RMB'000	Temporary difference relating to impairment of assets RMB'000	Temporary differences on expenses recognition RMB'000	Total
				RMB'000
At 1 January 2007		4,227	1,818	6,045
(Charge) credit to profit or loss		(4,137)	(268)	(3,955)
Effect of change in tax rate		60	445	805
At 31 December 2007		150	1,995	2,895
Charge to profit or loss		(150)	(627)	(849)
At 31 December 2008		—	1,368	2,046
Charge to profit or loss		—	(140)	(190)
At 31 December 2009		—	1,228	1,856
Credit (charge) to profit or loss		—	229	207
At 30 June 2010		—	1,457	2,063

	Fair value gain on available- for-sale financial assets RMB'000
Deferred income tax liabilities	
At 1 January 2007	(4,981)
Charge to other comprehensive income	<u>(45,742)</u>
At 31 December 2007	(50,723)
Credit to other comprehensive income	<u>33,060</u>
At 31 December 2008	(17,663)
Charge to other comprehensive income	<u>(19,523)</u>
At 31 December 2009	(37,186)
Credit to other comprehensive income	<u>13,352</u>
At 30 June 2010	<u><u>(23,834)</u></u>

Jin Jiang Investment

	Temporary difference relating to impairment of assets RMB'000	Temporary differences on expenses recognition RMB'000	Total RMB'000
Deferred income tax assets			
At 1 January 2007	668	—	668
Credit to profit or loss	<u>445</u>	<u>751</u>	<u>1,196</u>
At 31 December 2007	1,113	751	1,864
Charge to profit or loss	<u>—</u>	<u>(73)</u>	<u>(73)</u>
At 31 December 2008	1,113	678	1,791
Charge to profit or loss	<u>—</u>	<u>(50)</u>	<u>(50)</u>
At 31 December 2009	1,113	628	1,741
Charge to profit or loss	<u>—</u>	<u>(22)</u>	<u>(22)</u>
At 30 June 2010	<u><u>1,113</u></u>	<u><u>606</u></u>	<u><u>1,719</u></u>

	Fair value gain on available- for-sale financial assets RMB'000
Deferred income tax liabilities	
At 1 January 2007	(3,319)
Charge to other comprehensive income	<u>(41,193)</u>
At 31 December 2007	(44,512)
Credit to other comprehensive income	<u>29,640</u>
At 31 December 2008	(14,872)
Charge to other comprehensive income	<u>(16,458)</u>
At 31 December 2009	(31,330)
Credit to other comprehensive income	<u>12,006</u>
At 30 June 2010	<u><u>(19,324)</u></u>

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Jin Jiang Investment Group has unused tax losses of RMB4,055,000, RMB4,037,000, RMB3,611,000 and RMB2,952,000, respectively. No deferred income tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

The expiry of unrecognised tax losses are analysed as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2008	2,549	—	—	—
2009	484	484	—	—
2010	—	—	—	—
2011	—	457	—	—
2012	1,022	1,692	1,068	—
2013	—	1,404	1,340	990
2014	—	—	1,203	1,203
2015	—	—	—	759
	<u>4,055</u>	<u>4,037</u>	<u>3,611</u>	<u>2,952</u>

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Jin Jiang Investment Group has deductible temporary differences of RMB2,633,000, RMB2,497,000, RMB2,912,000 and RMB2,912,000 respectively. No deferred income tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

36. RESERVES

The movements of reserves of Jin Jiang Investment during the Relevant Period are as follows:

	Share premium RMB'000	Capital reserves RMB'000	Surplus statutory reserves RMB'000	Investment revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2007	266,218	113,847	128,534	18,809	131,153	658,561
Profit for the year	—	—	—	—	217,742	217,742
Fair value gain on available-for-sale financial assets	—	—	—	173,106	—	173,106
Cumulative gain reclassified on disposal of available-for-sale financial assets	—	—	—	(17,185)	—	(17,185)
Income tax relating to components of of other comprehensive income	—	—	—	(41,193)	—	(41,193)
Total comprehensive income for the year	—	—	—	114,728	217,742	332,470
Transfer	—	—	24,304	—	(24,304)	—
Dividends recognised as distribution (note 12)	—	—	—	—	(193,064)	(193,064)
At 31 December 2007	266,218	113,847	152,838	133,537	131,527	797,967
Profit for the year	—	—	—	—	287,263	287,263
Fair value loss on available-for-sale financial assets	—	—	—	(109,724)	—	(109,724)
Cumulative gain reclassified on disposal of available-for-sale financial assets	—	—	—	(8,837)	—	(8,837)
Income tax relating to components of of other comprehensive income	—	—	—	29,640	—	29,640
Total comprehensive income for the year	—	—	—	(88,921)	287,263	198,342
Transfer	—	—	30,757	—	(30,757)	—
Dividends recognised as distribution (note 12)	—	—	—	—	(220,644)	(220,644)
At 31 December 2008	266,218	113,847	183,595	44,616	167,389	775,665
Profit for the year	—	—	—	—	275,142	275,142
Fair value gain on available-for-sale financial assets	—	—	—	84,700	—	84,700
Cumulative gain reclassified on disposal of available-for-sale financial assets	—	—	—	(18,867)	—	(18,867)
Income tax relating to components of of other comprehensive income	—	—	—	(16,458)	—	(16,458)
Total comprehensive income for the year	—	—	—	49,375	275,142	324,517
Transfer	—	—	24,300	—	(24,300)	—
Dividends recognised as distribution (note 12)	—	—	—	—	(165,483)	(165,483)
At 31 December 2009	266,218	113,847	207,895	93,991	252,748	934,699
Profit for the period	—	—	—	—	36,372	36,372
Fair value loss on available-for-sale financial assets	—	—	—	(39,430)	—	(39,430)
Cumulative gain reclassified on disposal of available-for-sale financial assets	—	—	—	(8,595)	—	(8,595)
Income tax relating to components of of other comprehensive income	—	—	—	12,006	—	12,006
Total comprehensive income for the year	—	—	—	(36,019)	36,372	353
Transfer	—	—	2,494	—	(2,494)	—
Dividends recognised as distribution (note 12)	—	—	—	—	(165,483)	(165,483)
At 30 June 2010	266,218	113,847	210,389	57,972	121,143	769,569

37. OTHER NON-CURRENT LIABILITIES

	As at 31 December		As at 30 June	
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Government grant (<i>note i</i>)	—	4,410	—	—
Subsidy for loss of plant (<i>note ii</i>)	28,793	28,793	28,793	28,793
Other payables related to demolition of properties (<i>note iii</i>)	23,945	23,069	20,609	20,356
	<u>52,738</u>	<u>56,272</u>	<u>49,402</u>	<u>49,149</u>

Notes:

- i. Pursuant to a 95%-owned subsidy notice from the local government, an indirect subsidiary of the Jin Jiang Investment, namely Jin Jiang Public Traffic, was granted a subsidy of approximately RMB5,040,000 during the year ended 31 December 2008 as a reward for its investment in operating vehicles. The directors of Jin Jiang Investment considered the subsidy to be related to the investment in property, plant and equipment and therefore deferred and recognised the amount in profit or loss on a systematic basis over the estimated useful lives of the relevant assets. Approximately RMB630,000 and RMB263,000 was recognised in profit or loss for the year ended 31 December 2008 and 31 December 2009, respectively. During the year ended 31 December 2009, Jin Jiang Public Traffic was disposed of by the Jin Jiang Investment Group and no such balance was recognised in the consolidated statement of financial position at the end of that reporting period.
- ii. The amount represented subsidy of a direct subsidiary of the Jin Jiang Investment Group, namely Jin Jiang Automobile Service, received from local governmental authorities during 2006 in relation to the loss of a plant. The subsidy was granted for the plan to make restoration of the plant and constructed new facilities, therefore, the subsidy was deferred and would be recognised in profit or loss on a systematic basis over the estimated useful lives of the relevant assets restored and constructed. The construction of plant and new facilities has been commenced during the year ended 31 December 2009 and up to 30 June 2010, the construction has not yet been completed. No profit or loss was recognised in the consolidated income statements during the Relevant Period.
- iii. The amount represented the estimated costs of dismantling and removing residents from a site which was acquired by the Jin Jiang Investment Group in prior years.

38. ACQUISITION OF A SUBSIDIARY

On 28 February 2008, a direct subsidiary of Jin Jiang Investment, namely Jin Jiang Automobile Service, acquired a further 50% of the equity interests in a jointly controlled entity, Jin Jiang Yaohua Taxi Services, for a consideration of approximately RMB5,428,000. Jin Jiang Yaohua Taxi Services then became a wholly-owned subsidiary of Jin Jiang Automobile Service. The acquisition has been accounted for using the purchase method.

The net assets acquired in the transaction are as follows:

	Carrying amount before combination <i>RMB'000</i>	Fair value adjustments <i>RMB'000</i>	Fair Value <i>RMB'000</i>
Net assets acquired:			
Property, plant and equipment	1,071	—	1,071
Intangible assets	—	12,107	12,107
Trade and other receivables	1	—	1
Cash and cash equivalents	1	—	1
Trade and other payables	<u>(2,324)</u>	<u>—</u>	<u>(2,324)</u>
	<u>(1,251)</u>	<u>12,107</u>	10,856
Share of net assets of the jointly controlled entity			<u>(5,428)</u>
Total consideration satisfied by cash			<u><u>5,428</u></u>
Net cash outflow arising on acquisitions:			
Cash consideration			(5,428)
Cash and cash equivalents acquired			<u>1</u>
			<u><u>(5,427)</u></u>

The entity acquired contributed approximately RMB452,000 to the Group's profit for the period between the date of acquisition and 31 December 2008.

If the acquisition had been completed on 1 January 2008, the total turnover for the year of Jin Jiang Investment Group would have been increased by RMB3,112,000, and profit for the year would have been increased by RMB392,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

39. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 1 January 2009, a direct subsidiary of Jin Jiang Investment, namely Jin Jiang Automobile Service, entered into an agreement to acquire additional 30% equity interests in Jin Jiang Business and Travel Auto Services (the "Acquiree"), with the non-controlling shareholders of the Acquiree for an aggregate cash consideration of RMB54,120,000. The consideration was agreed through negotiation between the Jin Jiang Investment Group and the sellers. Jin Jiang Business and Travel became a 80%-owned subsidiary of Jin Jiang Automobile Service. The amount of other reserve was decreased by RMB14,577,000 as a result of the acquisition.

	<i>RMB'000</i>
Net assets acquired	39,543
Reserve on acquisition	<u>14,577</u>
Total consideration satisfied by:	
Cash	<u><u>54,120</u></u>

40. DISPOSAL OF SUBSIDIARIES

On 30 November 2007, the Jin Jiang Investment Group disposed of its 75% equity interest in subsidiaries, namely Shanghai Major New Jin Jiang Clothes Washing and Making Co., Ltd. to independent third parties. The net assets at the date of disposal were as follows:

	<i>RMB'000</i>
Property, plant and equipment	1,420
Inventories	62
Trade and other receivables	789
Cash and cash equivalents	76
Trade and other payables	<u>(2,215)</u>
	132
Non-controlling interests	<u>(33)</u>
Total consideration satisfied by cash	<u>99</u>
Net cash inflow arising disposal:	
Cash consideration	99
Cash and cash equivalents disposed of	<u>(76)</u>
	<u><u>23</u></u>

During the year ended 31 December 2009, the Jin Jiang Investment Group disposed of its equity interest in subsidiaries, namely Shanghai Nichirei Food and Jin Jiang Public Traffic, respectively to independent third parties. The net assets at the date of disposal were as follows:

	Shanghai Nichirei Food	Jin Jiang Public Traffic	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	8,495	47,249	55,744
Inventories	4,766	206	4,972
Trade and other receivables	3,842	9,415	13,257
Cash and cash equivalents	17,986	795	18,781
Trade and other payables	(14,485)	(38,125)	(52,610)
Other non-current liabilities	—	(4,147)	(4,147)
	<u>20,604</u>	<u>15,393</u>	<u>35,997</u>
Non-controlling interests			(10,302)
Gain on disposal			<u>4,045</u>
Total consideration satisfied by cash			<u>29,740</u>
Net cash inflow arising disposal:			
Cash consideration			29,740
Cash and cash equivalents disposed of			<u>(18,781)</u>
			<u><u>10,959</u></u>

Note: Included in net cash inflow arising disposal of approximately RMB10,959,000 represented cash of approximately RMB9,419,000 received by the Jin Jiang Investment Group in the year ended 31 December 2009 and approximately RMB1,540,000 received by the Jin Jiang Investment Group in the six months ended 30 June 2010, respectively.

41. OPERATING LEASES

The Jin Jiang Investment Group as lessee

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Minimum lease payments paid under operating leases during the year/period	<u>21,641</u>	<u>23,465</u>	<u>30,903</u>	<u>15,452</u>	<u>15,789</u>

At the end of each reporting period, the Jin Jiang Investment Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31 December		As at 30 June	
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	18,954	12,313	13,058	14,072
In the second to fifth year inclusive	36,316	24,047	27,876	25,656
After five years	3,113	437	37	—
	<u>58,383</u>	<u>36,797</u>	<u>40,971</u>	<u>39,728</u>

Operating lease payments represent rentals payable by the Jin Jiang Investment Group for the Group's plant, warehouse and office premise. Leases are negotiated for lease terms ranging from one to twelve years at inception.

Jin Jiang Investment as lessee

Jin Jiang Investment did not have operating lease commitment at the end of each reporting period.

The Jin Jiang Investment Group as lessor

The Group rents out investment properties under operating lease.

At the end of each reporting period, the Jin Jiang Investment Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December		As at 30 June	
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,067	2,071	1,748	1,726
In the second to fifth year inclusive	488	2,502	2,373	2,208
After five years	—	1,856	1,496	1,299
	<u>1,555</u>	<u>6,429</u>	<u>5,617</u>	<u>5,233</u>

Jin Jiang Investment as lessor

Jin Jiang Investment rents out investment properties under operating lease.

At the end of each reporting period, Jin Jiang Investment had contracted with tenants for the following future minimum lease payments:

	As at 31 December		As at 30 June	
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	695	1,699	1,376	1,355
In the second to fifth year inclusive	488	1,077	888	723
After five years	—	—	11	—
	<u>1,183</u>	<u>2,776</u>	<u>2,275</u>	<u>2,078</u>

42. CAPITAL COMMITMENTS

At the end of each reporting period, the Jin Jiang Investment Group had the following outstanding capital commitments:

	As at 31 December		As at 30 June	
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Jin Jiang Investment Group				
Capital expenditure contracted for but not provided in the Financial Information in respect of — acquisition of property, plant and equipment	—	—	32,791	—
	<u>—</u>	<u>—</u>	<u>32,791</u>	<u>—</u>

Jin Jiang Investment did not have any material capital commitment at the end of each reporting period.

43. RETIREMENT BENEFITS SCHEME

The employees of the Jin Jiang Investment Group's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their basic payroll costs to retirement benefits scheme to fund the benefits. The only obligation of the Jin Jiang Investment Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Jin Jiang Investment Group in respect of the retirement benefit scheme during each year/period over the Relevant Period are disclosed in note 13.

44. RELATED PARTY DISCLOSURE

The Jin Jiang Investment Group and Jin Jiang Investment operated in an economic environments primarily predominated by government-related entities. In addition, the Jin Jiang Investment Group and Jin Jiang Investment is part of a larger group of companies under Jin Jiang International controlled by the PRC government.

(a) Related parties of the Jin Jiang Investment Group:

Except for the entities disclosed in notes 23 and 24, the directors of Jin Jiang Investment consider that the following entities are related parties of the Jin Jiang Investment Group:

Name of related party	Relationship with Jin Jiang Investment
Jin Jiang International	Ultimate holding company
Jin Jiang Investment Hotels	Fellow subsidiary
上海錦江飯店有限公司 (Shanghai Jin Jiang Hotel Co., Ltd.*)	Fellow subsidiary
上海錦江旅遊有限公司 (Shanghai Jin Jiang Travel Co., Ltd.*)	Fellow subsidiary
上海錦江國際酒店物品有限公司 (Shanghai Jin Jiang International Hotel Facility Co., Ltd.*)	Fellow subsidiary
上海旅行社有限公司 (Shanghai Travel Co., Ltd.*)	Fellow subsidiary
上海國旅國際旅行社股份有限公司 (Shanghai CITS International Travel Services Co., Ltd.*)	Fellow subsidiary
上海食品(集團)有限公司 (Shanghai Food (Group) Co., Ltd.*)	Fellow subsidiary
上海華亭海外旅遊公司 (Shanghai Huating Overseas Tourist Co., Ltd.*)	Fellow subsidiary
上海錦江國際旅遊股份有限公司 (Shanghai Jin Jiang International Travel Co. Ltd.*)	Fellow subsidiary
錦江之星旅館有限公司 (Shanghai Jin Jiang Inn Hotel Co., Ltd.*)	Fellow subsidiary
錦江國際集團(香港)有限公司 (Jin Jiang International Group (Hong Kong) Co., Ltd.*)	Fellow subsidiary
上海銀河賓館有限公司 (Shanghai Galaxy Hotel Co., Ltd.*)	Fellow subsidiary
上海錦江國際酒店(集團)股份有限公司新錦江大酒店 (Shanghai Jin Jiang International Hotel Holdings Co., Ltd. Xin Jin Jiang Hotel*)	Fellow subsidiary
Sofitel Jin Jiang Oriental	Jointly controlled entity of Jin Jiang International

* The English names are for identification purpose only

(b) Related party transactions

- i. The Jin Jiang Investment Group has the following related party transactions during the Relevant Period:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Provision of vehicle operating services					
Jin Jiang International	—	554	3,433	1,023	—
Fellow subsidiaries	10,178	6,936	4,972	4,193	3,145
Jointly controlled entity of the Jin Jiang Investment Group	737	82	—	—	—
Associates of the Jin Jiang Investment Group	432	518	—	—	—
Total	11,347	8,090	8,405	5,216	3,145
Provision of refrigerated logistics services					
Fellow subsidiaries	112	124	—	—	—
Provision of hotel accommodation and related services					
Fellow subsidiaries	1,063	—	—	—	—
Purchase of goods					
Fellow subsidiaries	512	361	23	—	370
Associates of the Jin Jiang Investment Group	—	—	—	—	868
Total	512	361	23	—	1,238
Purchase of property, plant and equipment					
Jin Jiang International	193	—	—	—	—
Associates of the Jin Jiang Investment Group	66,243	37,155	76,420	41,497	108,908
Total	66,436	37,155	76,420	41,497	108,908

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Purchase of license of operating vehicles					
Fellow subsidiaries	<u>1,200</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Management fee paid					
Fellow subsidiaries	<u>456</u>	<u>623</u>	<u>539</u>	<u>132</u>	<u>343</u>
Interest income received					
Jin Jiang International	—	3,394	—	—	—
Jointly controlled entity of the Jin Jiang Investment Group	202	578	40	—	—
Associates of the Jin Jiang Investment Group	<u>113</u>	<u>101</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>315</u>	<u>4,073</u>	<u>40</u>	<u>—</u>	<u>—</u>
Rental expenses paid					
Jin Jiang International	<u>4,678</u>	<u>3,629</u>	<u>3,116</u>	<u>1,558</u>	<u>1,558</u>
Rental income received					
Jointly controlled entity of the Jin Jiang Investment Group	1,250	498	87	—	—
Associates of the Jin Jiang Investment Group	<u>1,854</u>	<u>—</u>	<u>295</u>	<u>—</u>	<u>—</u>
Total	<u>3,104</u>	<u>498</u>	<u>382</u>	<u>—</u>	<u>—</u>
Other income					
Jin Jiang International (Note 10(ii))	<u>—</u>	<u>8,982</u>	<u>—</u>	<u>—</u>	<u>—</u>
Dividend income received					
Associates of the Jin Jiang Investment Group	<u>122,151</u>	<u>132,590</u>	<u>92,915</u>	<u>88,157</u>	<u>49,202</u>

At 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, a subsidiary of Jin Jiang Investment Group issued financial guarantees to banks in respect of banking facilities granted to an associate with credit limit of approximately RMB13,600,000, RMB16,000,000, RMB13,600,000 and RMB16,000,000 respectively.

At 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, a subsidiary of the Jin Jiang Investment Group issued financial guarantee to a bank in respect of banking facilities granted to an investee that the Jin Jiang Investment Group had 10% equity interest and accounted for as available-for-sale financial assets at the end of respective reporting period with limit of RMB12,500,000, RMB12,500,000, RMB12,500,000 and RMB12,500,000.

In the opinion of the directors of Jin Jiang Investment, the financial guarantee contracts did not have material impact to the consolidated results and financial position of the Jin Jiang Investment Group.

The Jin Jiang Investment Group and Jin Jiang Investment have entered into various transactions, including deposit placements, borrowings and other banking facilities, with certain banks which are state-controlled entities in the ordinary course of business. In view of these banking transactions, the directors of Jin Jiang Investment are of opinion that separate disclosure would not be meaningful.

In view of the nature of the businesses of the Jin Jiang Investment Group, the directors of Jin Jiang Investment Group are of the opinion that, except as disclosed above, it is impractical to ascertain the identities of the counterparties and accordingly whether the transactions are with other state-controlled entities.

- ii. The Jin Jiang Investment Group and Jin Jiang Investment have the following related party balances at the end of each reporting period:

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December		At 30 June		As at 31 December		At 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables								
Jin Jiang International	—	—	35	—	—	—	—	—
Fellow subsidiaries	2,828	768	384	567	—	—	—	—
Jointly controlled entities of the Jin Jiang Investment Group	35	—	—	—	—	—	—	—
Total	2,863	768	419	567	—	—	—	—
Other receivables								
Fellow subsidiaries (<i>note</i>)	—	350	—	—	—	—	—	—
Jointly controlled entities of the Jin Jiang Investment Group (<i>note</i>)	519	374	—	—	—	700	—	—
Associates of the Jin Jiang Investment Group (<i>note</i>)	2,314	1	—	—	—	—	—	—
Total	2,833	725	—	—	—	700	—	—
Deposits paid for acquisition of property, plant and equipment								
An associate of the Jin Jiang Investment Group	21,882	26,917	21,335	3,547	—	—	—	—
Advance to suppliers								
Fellow subsidiaries	51	24	24	36	51	24	24	36
Dividend receivable								
Associates of the Jin Jiang Investment Group	80	1,176	2,008	11,345	—	—	—	29,415

Note: The balances are unsecured, interest-free and repayable on demand.

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December		At 30 June		As at 31 December		At 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables								
Fellow subsidiaries	899	3,232	—	—	43	—	—	—
Other payables								
Jin Jiang International (note)	2,613	3,000	3,000	4,500	—	—	—	—
Fellow subsidiaries (note)	40,286	43,522	43,687	42,931	248	463	431	55
Associates of the Jin Jiang Investment Group (note)	2,491	23,001	2,244	2,525	—	—	—	—
Total	45,390	69,523	48,931	49,956	248	463	431	55
Advance from customers								
Fellow subsidiaries	161	—	—	—	—	—	—	—
Consideration payable for acquisition of operating vehicles								
Associates of the Jin Jiang Investment Group	7,748	7,585	7,607	110,393	—	—	—	—
Dividend payables								
Jin Jiang International (note)	—	—	—	63,777	—	—	—	63,777

Note: Amounts are unsecured, interest-free and repayable on demand.

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December		At 30 June		As at 31 December		At 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loan to jointly controlled entities of Jin Jiang International	1,040	1,750	—	—	—	—	—	—
Amount due from subsidiaries	—	—	—	—	59,528	43,212	90,528	40,185

Notes:

- (1) The amount was unsecured, repayable on demand and carried interest at a rate of 7.47% per annum. The balance was fully repaid in the year ended 31 December 2008.
- (2) The amount was unsecured, repayable on demand and carried interest at a rate of 6.72% per annum. The balance was fully repaid in the year ended 31 December 2009.

	The Jin Jiang Investment Group				Jin Jiang Investment			
	As at 31 December		At 30 June		As at 31 December		At 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amount due from an associate of Jin Jiang Investment Group (note 28)	21,153	16,922	12,692	12,692	—	—	—	—

(c) Compensation of key management personnel:

The remuneration of directors and other members of key management during the Relevant Period were as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other benefits	2,574	2,561	2,796	1,400	1,246
Contributions to retirement benefits schemes	86	99	114	55	54
	<u>2,660</u>	<u>2,660</u>	<u>2,910</u>	<u>1,455</u>	<u>1,300</u>

II. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements of Jin Jiang Investment or any of the companies now comprising the Jin Jiang Investment Group have been prepared in respect of any period subsequent to 30 June 2010.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong



30 September 2010

The Directors
上海錦江國際旅遊股份有限公司
Shanghai Jinjiang International Travel Co., Ltd.

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to 上海錦江國際旅遊股份有限公司 (Shanghai Jinjiang International Travel Co., Ltd.) (“Jin Jiang Travel”) and its subsidiaries (hereinafter collectively referred to as the “Jin Jiang Travel Group”) for each of the three years ended 31 December 2009 and the six months ended 30 June 2010 (the “Relevant Period”) for inclusion in the circular dated 30 September 2010 (the “Circular”) issued by 上海錦江國際酒店(集團)股份有限公司 (Shanghai Jin Jiang International Hotels (Group) Company Limited) (“Jin Jiang International Hotels”) in connection with its proposed acquisition of (i) 212,586,460 shares in 上海錦江國際實業投資股份有限公司 (Shanghai Jin Jiang International Industrial Investment Co., Ltd.); and (ii) 66,556,270 shares in Jin Jiang Travel from 錦江國際(集團)有限公司 (Jin Jiang International Holdings Company Limited*) (“Jin Jiang International”).

Jin Jiang Travel is a joint stock limited liability company established in the People’s Republic of China (the “PRC”) whose B shares are listed on the Shanghai Stock Exchange.

Particulars of Jin Jiang Travel’s subsidiaries at the end of each reporting period and the date of this report are as follows:

Name of subsidiary	Place and date of establishment/operation	Fully paid and registered capital as at the date of this report	Attributable equity interest held by Jin Jiang Travel as at										Principal activity
			2007		31 December 2008		2009		30 June 2010		the date of this report		
			Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	
上海國際旅行社有限公司 (Shanghai CITS Co., Ltd.*) (“Shanghai CITS”)	PRC 29 December 1993	RMB20,000,000	90	10	90	10	90	10	90	10	90	10	Travel agency
上海國之旅物業管理有限公司 (Shanghai Guozhilv Property Management Co., Ltd.*) (“Guozhilv Property Management”)	PRC 25 December 2001	RMB1,000,000	90	10	90	10	90	10	90	10	90	10	Property leasing and management

APPENDIX IIB

ACCOUNTANTS' REPORT OF
THE JIN JIANG TRAVEL GROUP

Name of subsidiary	Place and date of establishment/operation	Fully paid and registered capital as at the date of this report	Attributable equity interest held by Jin Jiang Travel as at											Principal activity	
			2007		31 December 2008		2009		30 June 2010		the date of this report				
			Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %			
上海國之旅國際貨運代理有限公司 (Shanghai CITS International Cargo Transportation Agency Co., Ltd.)* ("Cargo Transportation Agency")	PRC 25 December 1995	RMB5,000,000	90	10	90	10	90	10	90	10	90	10	90	10	Cargo transportation agency
上海國之旅導遊服務有限公司 (Shanghai CITS Tour Guide Service Co., Ltd.)* ("CITS Tour Guide")	PRC 28 November 2002	RMB100,000	68	32	68	32	68	32	68	32	68	32	68	32	Tour guide service
上海國旅廣告公司 (Shanghai CITS Advertising Corporation)* ("CITS Advertising")	PRC 21 September 1992	RMB600,000	100	—	100	—	100	—	100	—	100	—	100	—	Advertising
上海理倫塗布材料有限公司 (Shanghai Sinrank Coating Materials Co., Ltd.)* ("Sinrank Coating Materials")	PRC 2 August 1992	USD1,120,000	51	—	51	—	51	—	51	—	51	—	51	—	Production of coating materials
江蘇錦江華特國際旅行社有限公司 (Jiangsu Jin Jiang Huate International Tourism Co., Ltd.)* ("Huate International Tourism") (see note (b) below)	PRC 11 November 2002	RMB5,000,000	40	—	40	—	40	—	—	—	—	—	—	—	Travel agency
南京華特導遊服務有限公司 (Nanjing Huate Tour Guide Service Co., Ltd.)* ("Huate Tour Guide Service") (see note (b) below)	PRC 30 June 2003	RMB100,000	—	36	—	36	—	36	—	—	—	—	—	—	Tour guide service
上海錦江國際綠色假期旅遊有限公司 (Shanghai Jin Jiang International Green Holiday Travel Co., Ltd.)* ("Green Holiday Travel")	PRC 28 August 2006	RMB2,000,000	70	—	70	—	70	—	70	—	70	—	70	—	Travel agency
浙江錦旅國際旅行社有限公司 (Zhejiang Jinlv International Travel Co., Ltd.)* ("Zhejiang International Travel")	PRC 25 August 2001	RMB5,000,000	90	10	90	10	90	10	90	10	90	10	90	10	Travel agency
上海錦江旅遊有限公司 (Shanghai Jin Jiang Tourism Co., Ltd.)* ("Jin Jiang Tourism")	PRC 25 August 1993	RMB24,990,000	90	10	90	10	90	10	90	10	90	10	90	10	Travel agency
上海旅行社有限公司 (Shanghai Travel Agency Co., Ltd.)* ("Shanghai Travel Agency") (see note (c) below)	PRC 2 September 1992	RMB2,000,000	53.1	1.9	53.1	1.9	56.1	1.9	59.1	1.9	59.1	1.9	59.1	1.9	Travel agency

Name of subsidiary	Place and date of establishment/operation	Fully paid and registered capital as at the date of this report	Attributable equity interest held by Jin Jiang Travel as at										Principal activity
			2007		31 December 2008		2009		30 June 2010		the date of this report		
			Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	
上海華亭海外旅遊有限公司 (Shanghai Huating Overseas Tourism Co., Ltd.)* ("Huating Overseas Tourism")	PRC 27 July 1990	RMB10,830,739	90	10	90	10	90	10	90	10	90	10	Travel agency
上海錦江因私出入境有限公司 (Shanghai Jin Jiang Overseas Affairs Service Co., Ltd.)* ("Jin Jiang Overseas Affairs Service")	PRC 27 March 2002	RMB1,000,000	90	10	90	10	90	10	90	10	90	10	Overseas study consulting
上海海峽交流有限責任公司 (Shanghai Strait Exchange Co., Ltd.)* ("Shanghai Strait Exchange")	PRC 27 April 1994	RMB500,000	90	10	90	10	90	10	90	10	90	10	Travel agency
北京錦江國際旅行社有限公司 (Beijing Jin Jiang International Travel Co., Ltd.)* ("Beijing International Travel")	PRC 29 January 2003	RMB4,000,000	80	—	80	—	80	—	80	—	80	—	Travel agency
上海錦江假日旅行社 (Shanghai Jin Jiang Holiday Travel Agency)* ("Jin Jiang Holiday Travel Agency")	PRC 18 May 1995	RMB1,000,000	—	100	—	100	—	100	—	100	—	100	Travel agency

Notes:

- (a) Other than Sinrank Coating Materials, which is a sino-foreign joint venture, all other subsidiaries of Jin Jiang Travel are domestic limited liability enterprises.
- (b) Jin Jiang Travel was able to control Huate International Tourism during the three years ended 31 December 2009 by virtue of its 40% equity interest in Huate International Tourism and the voting rights associated with the other 20% equity interest entrusted by one of the equity holders of Huate International Tourism (Mr. Sun Hualai, an independent third party) to Jin Jiang Travel. Therefore, Huate International Tourism was accounted for as a subsidiary of Jin Jiang Travel.

Huate Tour Guide Service is a 90%-owned subsidiary of Huate International Tourism.

The entire equity interest in Huate International Tourism held by Jin Jiang Travel was disposed of in January 2010.

- (c) During the year ended 31 December 2009 and the six months ended 30 June 2010, Jin Jiang Travel acquired an additional 6% equity interest in Shanghai Travel Agency from its non-controlling equity holders. As a result, the equity interest in Shanghai Travel Agency attributable to Jin Jiang Travel increased from 55% as at 31 December 2008 to 58% as at 31 December 2009, and then 61% as at 30 June 2010.

* *The English names are for identification purpose only*

The statutory financial statements of Jin Jiang Travel and its subsidiaries for the three years ended 31 December 2009 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by the following certified public accountants registered in the PRC:

Name of entity	Financial period	Name of auditor
Jin Jiang Travel	For the three years ended 31 December 2009	德勤華永會計師事務所 有限公司 Deloitte Touche Tohmatsu CPA Ltd.
Shanghai CITS	For the three years ended 31 December 2009	德勤華永會計師事務所 有限公司 Deloitte Touche Tohmatsu CPA Ltd.
CITS Advertising	For the year ended 31 December 2008	上海飛達會計師事務所 有限公司 Shanghai Feida Certified Public Accountants Co., Ltd.
Sinrank Coating Materials	For the three years ended 31 December 2009	上海銘瑞會計師事務所 有限公司 Shanghai Minrui Certified Public Accountants Co., Ltd.
Zhejiang International Travel	For the three years ended 31 December 2009	杭州大地會計師事務所 有限公司 Hangzhou Dadi Certified Public Accountants Co., Ltd.
Jin Jiang Tourism	For the three years ended 31 December 2009	德勤華永會計師事務所 有限公司 Deloitte Touche Tohmatsu CPA Ltd.
Shanghai Travel Agency	For the three years ended 31 December 2009	德勤華永會計師事務所 有限公司 Deloitte Touche Tohmatsu CPA Ltd.

Note: No audited financial statements have been prepared for the other subsidiaries for the three years ended 31 December 2009.

No audited financial statements have been prepared for Jin Jiang Travel and its subsidiaries for the six months ended 30 June 2010 as there is no such statutory requirement.

For the purposes of this report, the directors of Jin Jiang Travel have prepared the consolidated financial statements of the Jin Jiang Travel Group for the six months ended 30 June 2010 in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “30 June 2010 Financial Information”). We have undertaken an independent audit on the 30 June 2010 Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures on the statutory consolidated financial statements of the Jin Jiang Travel Group for the three years ended 31 December 2009, which were prepared under New China Accounting Standards and audited under China Standards on Auditing, (collectively referred to as the “Underlying Financial Statements”) as are necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Jin Jiang Travel Group for the Relevant Period set out in this report has been prepared from the Underlying Financial Statements, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Jin Jiang Travel who approved their issue. The directors of Jin Jiang International Hotels are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Jin Jiang Travel and the Jin Jiang Travel Group as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, and of the consolidated results and consolidated cash flows of the Jin Jiang Travel Group for the Relevant Period.

The comparative consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Jin Jiang Travel Group for the six months ended 30 June 2009 together with the notes thereon have been extracted from the Jin Jiang Travel Group’s unaudited consolidated financial statements for the same period (the “30 June 2009 Financial Information”) which was prepared by the directors of Jin Jiang Travel solely for the purpose of this report. We have reviewed the 30 June 2009 Financial Information in accordance with Hong Kong Standard on Review Engagements 2400 “Engagements to Review Financial Statements” issued by the HKICPA. Our review of the 30 June 2009 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A

review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 30 June 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRS.

I. FINANCIAL INFORMATION

Consolidated Income Statements

	NOTES	Year ended 31 December			Six months ended 30 June	
		2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
Turnover	7	1,642,349	1,696,594	1,599,917	708,673	840,797
Cost of sales/services		<u>(1,499,947)</u>	<u>(1,549,729)</u>	<u>(1,438,958)</u>	<u>(628,921)</u>	<u>(753,332)</u>
Gross profit		142,402	146,865	160,959	79,752	87,465
Investment income	8	8,740	15,168	13,802	7,722	6,955
Other income and other gains and losses	9	10,000	125	22,270	9,111	17,072
Selling and marketing expenses		<u>(80,696)</u>	<u>(83,693)</u>	<u>(94,591)</u>	<u>(44,287)</u>	<u>(48,236)</u>
Administrative expenses		<u>(46,344)</u>	<u>(54,562)</u>	<u>(61,315)</u>	<u>(25,340)</u>	<u>(28,716)</u>
Share of results of associates	22	<u>7,273</u>	<u>2,611</u>	<u>5,450</u>	<u>(1,769)</u>	<u>4,321</u>
Profit before tax		41,375	26,514	46,575	25,189	38,861
Income tax expense	10	<u>(4,911)</u>	<u>(6,727)</u>	<u>(7,216)</u>	<u>(4,058)</u>	<u>(7,874)</u>
Profit for the year/period	11	<u>36,464</u>	<u>19,787</u>	<u>39,359</u>	<u>21,131</u>	<u>30,987</u>
Profit for the year/period attributable to:						
— Shareholders of Jin Jiang Travel		36,207	22,030	38,983	21,059	30,825
— Non-controlling interests		<u>257</u>	<u>(2,243)</u>	<u>376</u>	<u>72</u>	<u>162</u>
		<u>36,464</u>	<u>19,787</u>	<u>39,359</u>	<u>21,131</u>	<u>30,987</u>
Earnings per share						
— Basic (RMB)	14	<u>0.27</u>	<u>0.17</u>	<u>0.29</u>	<u>0.16</u>	<u>0.23</u>

Consolidated Statements of Comprehensive Income

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year/period	36,464	19,787	39,359	21,131	30,987
Other comprehensive income					
Fair value gain (loss) on available-for-sale financial assets	881,973	(767,869)	501,768	400,742	(203,772)
Reclassification adjustments for the cumulative gain upon disposal of available-for-sale financial assets	(9,222)	—	(18,052)	(7,260)	(11,411)
Effect of a change in tax rates	17,324	—	—	—	—
Income tax relating to fair value changes on available-for-sale financial assets	(220,494)	191,967	(125,442)	(100,185)	50,943
Income tax relating to reclassification adjustments for the cumulative gain upon disposal of available-for-sale financial assets	2,306	—	4,513	1,815	2,853
Total comprehensive income for the year/period (net of tax)	<u>708,351</u>	<u>(556,115)</u>	<u>402,146</u>	<u>316,243</u>	<u>(130,400)</u>
Total comprehensive income attributable to:					
— Shareholders of Jin Jiang Travel	708,094	(553,872)	401,770	316,171	(130,562)
— Non-controlling interests	257	(2,243)	376	72	162
	<u>708,351</u>	<u>(556,115)</u>	<u>402,146</u>	<u>316,243</u>	<u>(130,400)</u>

Consolidated Statements of Financial Position

	NOTES	The Jin Jiang Travel Group				Jin Jiang Travel			
		As at 31 December			At 30 June	As at 31 December			At 30 June
		2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
NON-CURRENT ASSETS									
Property, plant and equipment	15	91,887	71,474	70,633	69,172	79,106	63,427	61,717	60,250
Land use rights	16	178	151	124	110	—	—	—	—
Investment properties	17	166,392	177,139	172,854	170,711	166,392	177,139	172,854	170,711
Intangible assets	18	623	300	73	35	340	157	51	25
Available-for-sale financial assets	19	1,147,456	379,587	882,468	688,303	1,143,433	377,723	879,435	686,395
Deferred income tax assets	20	—	—	3,517	2,500	—	—	2,328	1,547
Investments in subsidiaries	21	—	—	—	—	66,623	63,591	62,509	60,337
Interests in associates	22	63,129	64,594	69,134	62,751	39,621	39,621	39,621	39,397
Other receivables	23	18,500	18,075	4,530	4,355	6,765	6,515	2,480	2,480
Loan to a subsidiary	33 (c)	—	—	—	—	4,000	4,000	4,000	4,000
		<u>1,488,165</u>	<u>711,320</u>	<u>1,203,333</u>	<u>997,937</u>	<u>1,506,280</u>	<u>732,173</u>	<u>1,224,995</u>	<u>1,025,142</u>
CURRENT ASSETS									
Inventories	24	2,772	2,892	3,817	2,739	141	134	147	174
Trade and other receivables	25	123,645	94,753	95,214	203,013	23,000	11,308	18,857	81,331
Restricted cash	26	588	778	3,000	4,635	—	—	600	600
Cash and cash equivalents	26	312,805	338,418	344,332	375,845	105,109	145,984	143,067	177,916
		<u>439,810</u>	<u>436,841</u>	<u>446,363</u>	<u>586,232</u>	<u>128,250</u>	<u>157,426</u>	<u>162,671</u>	<u>260,021</u>
CURRENT LIABILITIES									
Trade and other payables	27	174,512	137,653	137,406	172,055	78,978	87,427	76,504	104,685
Advance from customers		143,729	175,761	164,580	275,701	46,530	69,040	73,762	140,431
Income taxes payable		1,674	1,849	2,947	6,165	—	—	1,936	3,288
		<u>319,915</u>	<u>315,263</u>	<u>304,933</u>	<u>453,921</u>	<u>125,508</u>	<u>156,467</u>	<u>152,202</u>	<u>248,404</u>
NET CURRENT ASSETS		<u>119,895</u>	<u>121,578</u>	<u>141,430</u>	<u>132,311</u>	<u>2,742</u>	<u>959</u>	<u>10,469</u>	<u>11,617</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,608,060</u>	<u>832,898</u>	<u>1,344,763</u>	<u>1,130,248</u>	<u>1,509,022</u>	<u>733,132</u>	<u>1,235,464</u>	<u>1,036,759</u>
CAPITAL AND RESERVES									
Share capital	28	132,556	132,556	132,556	132,556	132,556	132,556	132,556	132,556
Reserves	29	1,191,617	611,234	1,002,399	845,326	1,104,975	520,513	902,234	757,043
Equity attributable to shareholders of Jin Jiang Travel		1,324,173	743,790	1,134,955	977,882	1,237,531	653,069	1,034,790	889,599
Non-controlling interests		11,563	8,751	8,522	4,876	—	—	—	—
Total equity		<u>1,335,736</u>	<u>752,541</u>	<u>1,143,477</u>	<u>982,758</u>	<u>1,237,531</u>	<u>653,069</u>	<u>1,034,790</u>	<u>889,599</u>
NON-CURRENT LIABILITIES									
Deferred income tax liabilities	20	272,324	80,357	201,286	147,490	271,491	80,063	200,674	147,160
		<u>1,608,060</u>	<u>832,898</u>	<u>1,344,763</u>	<u>1,130,248</u>	<u>1,509,022</u>	<u>733,132</u>	<u>1,235,464</u>	<u>1,036,759</u>

Consolidated Statements of Changes in Equity

	Attributable to shareholders of Jin Jiang Travel						Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (note (a))	Statutory surplus reserve RMB'000 (note (b))	Investment revaluation reserve RMB'000	Retained profits RMB'000 (note (c))			
At 1 January 2007	132,556	166,391	33,558	92,718	145,085	61,678	631,986	11,756	643,742
Profit for the year	—	—	—	—	—	36,207	36,207	257	36,464
Fair value gain on available-for-sale financial assets	—	—	—	—	881,973	—	881,973	—	881,973
Cumulative gain reclassified on disposal on available-for-sale financial assets	—	—	—	—	(9,222)	—	(9,222)	—	(9,222)
Effect of a change in tax rates	—	—	—	—	17,324	—	17,324	—	17,324
Income tax relating to fair value changes on available-for-sale financial assets	—	—	—	—	(220,494)	—	(220,494)	—	(220,494)
Income tax relating to reclassification adjustments for the cumulative gain upon disposal of available-for-sale financial assets	—	—	—	—	2,306	—	2,306	—	2,306
Total comprehensive income for the year	—	—	—	—	671,887	36,207	708,094	257	708,351
Transfer to reserve fund	—	—	—	3,223	—	(3,223)	—	—	—
Dividends recognised as distribution (note 13)	—	—	—	—	—	(15,907)	(15,907)	—	(15,907)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(450)	(450)
At 31 December 2007	132,556	166,391	33,558	95,941	816,972	78,755	1,324,173	11,563	1,335,736
Profit for the year	—	—	—	—	—	22,030	22,030	(2,243)	19,787
Fair value loss on available-for-sale financial assets	—	—	—	—	(767,869)	—	(767,869)	—	(767,869)
Income tax relating to fair value changes on available-for-sale financial assets	—	—	—	—	191,967	—	191,967	—	191,967
Total comprehensive income for the year	—	—	—	—	(575,902)	22,030	(553,872)	(2,243)	(556,115)
Transfer to reserve fund	—	—	—	1,779	—	(1,779)	—	—	—
Dividends recognised as distribution (note 13)	—	—	—	—	—	(26,511)	(26,511)	—	(26,511)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(569)	(569)
At 31 December 2008	132,556	166,391	33,558	97,720	241,070	72,495	743,790	8,751	752,541
Profit for the year	—	—	—	—	—	38,983	38,983	376	39,359
Fair value gain on available-for-sale financial assets	—	—	—	—	501,768	—	501,768	—	501,768
Reclassification adjustments for the cumulative gain upon disposal of available-for-sale financial assets	—	—	—	—	(18,052)	—	(18,052)	—	(18,052)
Income tax relating to fair value changes on available-for-sale financial assets	—	—	—	—	(125,442)	—	(125,442)	—	(125,442)
Income tax relating to reclassification adjustments for the cumulative gain upon disposal of available-for-sale financial assets	—	—	—	—	4,513	—	4,513	—	4,513
Total comprehensive income for the year	—	—	—	—	362,787	38,983	401,770	376	402,146
Transfer to reserve fund	—	—	—	3,503	—	(3,503)	—	—	—
Acquisition of additional interest in a subsidiary (note (d))	—	—	—	—	—	—	—	(77)	(77)
Dividends recognised as distribution (note 13)	—	—	—	—	—	(10,605)	(10,605)	—	(10,605)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(528)	(528)
At 31 December 2009	132,556	166,391	33,558	101,223	603,857	97,370	1,134,955	8,522	1,143,477

	Attributable to shareholders of Jin Jiang Travel						Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 <i>(note (a))</i>	Statutory surplus reserve RMB'000 <i>(note (b))</i>	Investment revaluation reserve RMB'000	Retained profits RMB'000 <i>(note (c))</i>			
Profit for the period	—	—	—	—	—	30,825	30,825	162	30,987
Fair value loss on available-for-sale financial assets	—	—	—	—	(203,772)	—	(203,772)	—	(203,772)
Reclassification adjustments for the cumulative gain upon disposal of available-for-sale financial assets	—	—	—	—	(11,411)	—	(11,411)	—	(11,411)
Income tax relating to fair value changes on available-for-sale financial assets	—	—	—	—	50,943	—	50,943	—	50,943
Income tax relating to reclassification adjustments for the cumulative gain upon disposal of available-for-sale financial assets	—	—	—	—	2,853	—	2,853	—	2,853
Total comprehensive income for the period	—	—	—	—	(161,387)	30,825	(130,562)	162	(130,400)
Acquisition of additional interest in a subsidiary <i>(note (d))</i>	—	—	—	—	—	—	—	(83)	(83)
Dividends recognised as distribution <i>(note 13)</i>	—	—	—	—	—	(26,511)	(26,511)	—	(26,511)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(522)	(522)
Disposal of subsidiaries <i>(note 30)</i>	—	—	—	—	—	—	—	(3,203)	(3,203)
At 30 June 2010	132,556	166,391	33,558	101,223	442,470	101,684	977,882	4,876	982,758
At 1 January 2009	132,556	166,391	33,558	97,720	241,070	72,495	743,790	8,751	752,541
Profit for the period	—	—	—	—	—	21,059	21,059	72	21,131
Fair value gain on available-for-sale financial assets	—	—	—	—	400,742	—	400,742	—	400,742
Reclassification adjustments for the cumulative gain upon disposal of available-for-sale financial assets	—	—	—	—	(7,260)	—	(7,260)	—	(7,260)
Income tax relating to fair value changes on available-for-sale financial assets	—	—	—	—	(100,185)	—	(100,185)	—	(100,185)
Income tax relating to reclassification adjustments for the cumulative gain upon disposal of available-for-sale financial assets	—	—	—	—	1,815	—	1,815	—	1,815
Total comprehensive income for the period	—	—	—	—	295,112	21,059	316,171	72	316,243
Acquisition of additional interest in a subsidiary <i>(note (d))</i>	—	—	—	—	—	—	—	(77)	(77)
Dividends recognised as distribution <i>(note 13)</i>	—	—	—	—	—	(10,605)	(10,605)	—	(10,605)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(528)	(528)
At 30 June 2009 (unaudited)	132,556	166,391	33,558	97,720	536,182	82,949	1,049,356	8,218	1,057,574

Notes:

- (a) Other reserves represent (i) government subsidies received in prior years which were set aside as capital reserve; (ii) reserve arising on acquisition of non-controlling interests in subsidiaries in prior years; and (iii) deemed contribution arising on disposal of properties to related parties in prior years.
- (b) As stipulated by the relevant laws and regulations for enterprises in the PRC, Jin Jiang Travel and its subsidiaries are required to maintain a statutory surplus reserve fund which is non-distributable. The appropriations to such reserve are made out of net profit after taxation of the statutory financial statements of Jin Jiang Travel and its subsidiaries. The statutory surplus reserve fund can be used to make up prior year/period losses, if any, and can be applied in conversion into capital by means of capitalisation issue.
- (c) As at 31 December 2007, 2008 and 2009 and 30 June 2010, the statutory reserve fund of Jin Jiang Travel's subsidiaries attributable to Jin Jiang Travel amounting to RMB16,974,000, RMB18,878,000, RMB20,826,000 and RMB20,826,000, respectively, were included in retained profits.
- (d) During the year ended 31 December 2009 and the six months ended 30 June 2010, Jin Jiang Travel acquired an additional 6% equity interest in Shanghai Travel Agency from its non-controlling equity holders. As a result, the equity interest in Shanghai Travel Agency attributable to Jin Jiang Travel increased from 55% as at 31 December 2008 to 58% as at 31 December 2009, and then to 61% as at 30 June 2010.

Consolidated Statements of Cash Flows

NOTES	Year ended 31 December			Six months ended 30 June	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
OPERATING ACTIVITIES					
Profit before tax	41,375	26,514	46,575	25,189	38,861
Adjustments for:					
Interest income	(3,867)	(4,792)	(4,181)	(1,842)	(1,941)
Dividends from equity investments	(4,873)	(10,376)	(9,621)	(5,880)	(5,014)
Share of results of associates	(7,273)	(2,611)	(5,450)	1,769	(4,321)
Gain on disposal of subsidiaries	—	—	—	—	(521)
Gain on liquidation of an associate	—	—	—	—	(2,013)
Loss (gain) on disposal of					
property, plant and equipment	67	4	235	(116)	6
Amortisation of intangible assets	370	321	325	167	29
Amortisation of land use rights	27	27	27	14	14
Depreciation of property, plant and equipment	5,809	7,437	6,050	2,986	3,193
Depreciation of investment properties	4,285	4,285	4,285	2,143	2,143
Allowances for (reversal of) doubtful debts	1,992	(187)	(60)	(112)	—
Impairment loss of property, plant and equipment	—	3,876	—	—	—
Reclassification adjustments for the cumulative gain upon disposal of available-for-sale financial assets	(9,222)	—	(18,052)	(7,260)	(11,411)
Operating cash flows before movements in working capital	28,690	24,498	20,133	17,058	19,025
Decrease (increase) in inventories	693	(120)	(925)	188	1,057
(Increase) decrease in trade and other receivables	(18,475)	28,304	10,258	16,200	(111,226)
Increase in restricted cash	(588)	(190)	(2,222)	(88)	(1,635)
Increase (decrease) in trade and other payables	6,649	(36,859)	(247)	(19,975)	9,857
Increase (decrease) in advance from customers	51,858	32,032	(11,181)	(16,543)	113,913
Cash generated (used in) from operations	68,827	47,665	15,816	(3,160)	30,991
Income taxes paid	(3,973)	(6,552)	(9,635)	(3,704)	(3,620)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	64,854	41,113	6,181	(6,864)	27,371

APPENDIX IIB
**ACCOUNTANTS' REPORT OF
THE JIN JIANG TRAVEL GROUP**

	NOTES	Year ended 31 December			Six months ended 30 June	
		2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
INVESTING ACTIVITIES						
Interest received		3,867	4,792	4,181	1,842	1,941
Proceeds on liquidation of an associate	22	—	—	—	—	6,620
Disposal of subsidiaries	30	—	—	—	—	(3,523)
Dividends received		10,752	12,722	13,417	5,880	11,111
Proceeds on disposal of property, plant and equipment		418	223	282	180	21
Proceeds on disposal of intangible assets		—	2	—	—	—
Proceeds on disposal of available-for-sale financial assets		10,004	—	18,887	7,726	11,655
Purchase of available-for-sale financial assets		—	—	(20,000)	—	(21,262)
Payment for acquisition of property, plant and equipment		(7,745)	(6,159)	(5,726)	(1,649)	(1,816)
Payment for acquisition of intangible assets		(32)	—	(98)	(98)	—
NET CASH FROM INVESTING ACTIVITIES		<u>17,264</u>	<u>11,580</u>	<u>10,943</u>	<u>13,881</u>	<u>4,747</u>
FINANCING ACTIVITIES						
Dividends paid to shareholders of Jin Jiang Travel		(15,907)	(26,511)	(10,605)	—	—
Dividends paid to non-controlling interests of subsidiaries		(450)	(569)	(528)	(528)	(522)
Acquisition of additional interest in a subsidiary		—	—	(77)	(77)	(83)
NET CASH USED IN FINANCING ACTIVITIES		<u>(16,357)</u>	<u>(27,080)</u>	<u>(11,210)</u>	<u>(605)</u>	<u>(605)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		65,761	25,613	5,914	6,412	31,513
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD		<u>247,044</u>	<u>312,805</u>	<u>338,418</u>	<u>338,418</u>	<u>344,332</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/ PERIOD REPRESENTED BY BANK BALANCES AND CASH		<u>312,805</u>	<u>338,418</u>	<u>344,332</u>	<u>344,830</u>	<u>375,845</u>

Notes to the Financial Information**1. GENERAL**

Jin Jiang Travel was established in the PRC and was converted to a joint stock limited liability company in August 1994 by conversion of its equity into 60.5 million state-owned shares. Jin Jiang Travel issued 60 million B shares on 28 September 1994, which are listed on the Shanghai Stock Exchange. Jin Jiang Travel made a profit distribution by way of a stock dividend on 8 June 1998, of one share for every 10 shares. As a result, the share capital of Jin Jiang Travel reached 132.6 million shares.

The headquarters of Jin Jiang Travel are located in Shanghai, the PRC. The principal businesses of the Jin Jiang Travel Group include the provision of travel agency and related services, property leasing and management and other businesses.

The parent company and ultimate holding company of Jin Jiang Travel is Jin Jiang International, a wholly state-owned company incorporated in the PRC directly under the administration and control of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government.

The Financial Information is presented in Renminbi (“RMB”), the currency of the primary economic environment in which Jin Jiang Travel and its subsidiaries operate, which is the functional currency of Jin Jiang Travel and its subsidiaries.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information for the Relevant Period, the Jin Jiang Travel Group has consistently applied all of the new and revised Hong Kong Accounting Standards (“HKAS”), Hong Kong Financial Reporting Standards (“HKFRSs”), amendments and the related interpretations (“HK(IFRIC) — Int”) (hereinafter collectively referred to as the “new HKFRSs”) issued by the HKICPA, which are effective for the accounting period beginning on 1 January 2010, with the following exceptions:

HKFRS 3 (2008) “*Business Combinations*” has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. HKFRS 3 (2004) “*Business Combinations*” has been applied to business combinations for which the acquisition date is before 1 January 2010.

HKAS 27 (2008) “*Consolidated and Separate Financial Statements*” has been applied consistently throughout the Relevant Period except that total comprehensive income is attributed to the shareholders of Jin Jiang Travel and non-controlling interests even if this results in the non-controlling interests having a deficit balance, which has been applied prospectively from 1 January 2010.

The HKICPA has revised HKAS 24 “*Related Party Disclosures*” in 2009 by:

- (i) providing a partial exemption from the disclosure requirements for government-related entities; and
- (ii) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.

Pursuant to the transitional provision in that standard, the Jin Jiang Travel Group has early adopted the amendments in (i) above in advance of their effective date (1 January 2011) and applied consistently the revised related party disclosures for government-related entities during the Relevant Period. The Jin Jiang Travel Group has not early adopted the amendments in (ii) above during the Relevant Period.

Other new HKFRSs have been applied consistently throughout the Relevant Period.

Other than as specifically identified above, at the date of this report, the Jin Jiang Travel Group has not applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures, except for the partial exemption from the disclosure requirements for government-related entities ³
HKAS 32 (Amendment)	Classification of Right Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments ⁴

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 July 2010

⁵ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 “*Financial Instruments*” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 “*Financial Instruments: Recognition and Measurement*” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Jin Jiang Travel Group’s financial assets.

The directors of Jin Jiang Travel anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the Financial Information of the Jin Jiang Travel Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the accounting policies which conform to HKFRS issued by the HKICPA. Other than as specifically identified below, these policies have been consistently applied throughout the Relevant Period. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of Jin Jiang Travel and entities controlled by Jin Jiang Travel (its subsidiaries). Control is achieved where Jin Jiang Travel has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Relevant Period are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Jin Jiang Travel Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from equity attributable to shareholders of Jin Jiang Travel.

Allocation of total comprehensive income to non-controlling interests

Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Jin Jiang Travel Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Starting from 1 January 2010, total comprehensive income and expense of a subsidiary is attributed to shareholders of Jin Jiang Travel and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Jin Jiang Travel Group's ownership interests in existing subsidiaries

Changes in the Jin Jiang Travel Group's ownership interest in a subsidiary that do not result in the Jin Jiang Travel Group losing control over the subsidiary

Changes in the Jin Jiang Travel Group's ownership interest in a subsidiary that do not result in the Jin Jiang Travel Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Jin Jiang Travel Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of Jin Jiang Travel.

Changes in the Jin Jiang Travel Group's ownership interest in a subsidiary that result in the Jin Jiang Travel Group losing control over the subsidiary

Prior to 1 January 2010

When the Jin Jiang Travel Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between the consideration received and the carrying amount of the share of net assets disposed of.

On or after 1 January 2010

When the Jin Jiang Travel Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in

equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if Jin Jiang Travel had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings at the date when control is lost). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 “Financial Instruments: Recognition and Measurement” or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Investments in subsidiaries

Investments in subsidiaries are included in Jin Jiang Travel’s statements of financial position at cost less any identified impairment loss. The results of the subsidiaries are accounted for by Jin Jiang Travel on the basis of dividends received and receivable during the Relevant Period.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Jin Jiang Travel Group’s share of the net assets of the associates, less any identified impairment loss. When the Jin Jiang Travel Group’s share of losses of an associate equals or exceeds its interest in that associate, the Jin Jiang Travel Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Jin Jiang Travel Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Jin Jiang Travel Group, profits and losses are eliminated to the extent of the Jin Jiang Travel Group’s interest in the relevant associate.

In Jin Jiang Travel’s statement of financial position, the investments in associates are stated at cost less any identified impairment loss. The results of associates are accounted for by Jin Jiang Travel on the basis of dividends received and receivable during the Relevant Period.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered and title has passed.

Service income is recognised when the services are provided.

Interest income from a financial asset, other than a financial asset at fair value through profit or loss, is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Jin Jiang Travel Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease.

The Jin Jiang Travel Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally classified as finance lease. To the extent the allocation of the lease payments can be made reliably, leasehold land is classified as finance leases if substantially all the risk and rewards incidental to ownership of the land element is transferred to the Jin Jiang Travel Group. In other cases, leasehold land is classified as operating leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Jin Jiang Travel Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred income tax liabilities are generally recognised for all taxable temporary differences.

Deferred income tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Jin Jiang Travel Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Jin Jiang Travel Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Jin Jiang Travel Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants not related to depreciable assets are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Jin Jiang Travel Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefits schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are stated at cost less any accumulated impairment losses.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. And gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Land use rights

Land use rights represent payments for leasehold land and are amortised over the lease terms on a straight-line basis.

Intangible assets***Intangible assets acquired separately***

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on non-current assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment of non-current assets other than financial assets

At the end of each reporting period, the Jin Jiang Travel Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Jin Jiang Travel Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL, of which interest income is included in other gains and losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL comprise financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is part of an identified portfolio of financial instruments that the Jin Jiang Travel Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables, restricted cash and cash and cash equivalents are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Jin Jiang Travel Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Jin Jiang Travel Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Jin Jiang Travel Group are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Jin Jiang Travel Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Jin Jiang Travel Group's accounting policies, which are described in note 3, the directors of Jin Jiang Travel are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/period.

(a) Estimated impairment of trade and other receivables

As explained in note 3, trade and other receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method less impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The identification of bad and doubtful debts on trade and other receivables requires the use of judgment and estimates of expected future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, 2008 and 2009 and 30 June 2010, the carrying amounts of trade and other receivables are approximately RMB123,645,000, RMB94,753,000, RMB95,214,000 and RMB203,013,000, respectively (net of allowance for doubtful debts of RMB11,456,000, RMB8,826,000, RMB8,766,000 and RMB8,357,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively).

(b) Estimated useful lives and residual value of property, plant and equipment and investment properties

The estimated useful lives and residual value of property, plant and equipment and investment properties are based on management's experience with property, plant and equipment and investment properties of similar nature and functions and may vary significantly as a result of technical innovation and market conditions, resulting in higher depreciation charge and/or write-off or write-down of technically obsolete assets when the actual residual value or useful lives are less than previously estimated. As at 31 December 2007, 2008 and 2009 and 30 June 2010, the carrying amounts of property, plant and equipment are approximately RMB91,887,000, RMB71,474,000, RMB70,633,000 and RMB69,172,000, respectively. As at 31 December 2007, 2008 and 2009 and 30 June 2010, the carrying amounts of investment properties are approximately RMB166,392,000, RMB177,139,000, RMB172,854,000 and RMB170,711,000, respectively.

(c) Fair value of listed equity securities classified as available-for-sale financial assets

The management measures the fair value of listed equity securities by reference to quoted prices in an active market. The equity securities are listed on the Shanghai Stock Exchange and were actively traded during the Relevant Period. A significant or prolonged decline in the fair value of those equity securities below their cost is considered to be objective evidence of impairment. As at 31 December 2007, 2008 and 2009 and 30 June 2010, the carrying amounts of listed equity securities are approximately RMB1,144,542,000, RMB376,673,000, RMB859,554,000 and RMB665,389,000, respectively.

(d) Deferred taxation

Deferred income tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences will be utilised. As at the end of each reporting period, no deferred income tax assets had been recognised in respect of certain tax losses and deductible temporary differences due to the unpredictability of future profit streams. If the actual future profits generated are different from expected, a material impact on profit or loss may arise.

5. CAPITAL RISK MANAGEMENT

The Jin Jiang Travel Group manages its capital to ensure that the entities in the Jin Jiang Travel Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Jin Jiang Travel Group's overall strategy remains unchanged for the Relevant Period.

The capital structure of the Jin Jiang Travel Group consists of equity attributable to shareholders of Jin Jiang Travel, comprising issued share capital and reserves.

The directors of the Jin Jiang Travel Group review the capital structure regularly. The Jin Jiang Travel Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as raising of new debt or the repayment of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Jin Jiang Travel Group				Jin Jiang Travel			
	As at 31 December		At 30 June		As at 31 December		At 30 June	
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
— Loans and receivables (including cash and cash equivalents)	419,172	414,677	401,139	456,509	132,210	167,343	155,087	194,162
— Available-for-sale financial assets	<u>1,147,456</u>	<u>379,587</u>	<u>882,468</u>	<u>688,303</u>	<u>1,143,433</u>	<u>377,723</u>	<u>879,435</u>	<u>686,395</u>
	<u>1,566,628</u>	<u>794,264</u>	<u>1,283,607</u>	<u>1,144,812</u>	<u>1,275,643</u>	<u>545,066</u>	<u>1,034,522</u>	<u>880,557</u>
Financial liabilities								
— Amortised cost	<u>173,342</u>	<u>136,021</u>	<u>134,896</u>	<u>170,152</u>	<u>78,841</u>	<u>86,868</u>	<u>75,134</u>	<u>104,345</u>

(b) Financial risk management objectives and policies

The Jin Jiang Travel Group's and Jin Jiang Travel's major financial instruments include available-for-sale financial assets, loan to a subsidiary, trade and other receivables, restricted cash, cash and cash equivalents and trade and other payables. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Jin Jiang Travel Group's overall strategy remains unchanged for the Relevant Period.

(c) Market risk

The Jin Jiang Travel Group's and Jin Jiang Travel's activities expose it primarily to the financial risks of changes in interest rates, foreign currency exchange rates and prices of the available-for-sale financial assets. Market risk exposures are measured by sensitivity analysis.

There has been no change to the Jin Jiang Travel Group's and Jin Jiang Travel's exposures to these market risks or the manner in which it manages and measures the risks throughout the Relevant Period.

(i) Interest rate risk

The Jin Jiang Travel Group is exposed to fair value interest rate risk in relation to fixed-rate deposits, restricted cash and bank balances (see notes 23 and 26).

The Jin Jiang Travel Group is also exposed to cash flow interest rate risk in relation to variable-rate restricted cash and bank balances (see note 26).

The Jin Jiang Travel Group has not entered into any interest rate hedging contracts. The management closely monitors such risks and will consider hedging significant interest rate risk exposure should the need arise. The Jin Jiang Travel Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate financial instruments (including restricted cash and bank balances) at the end of each reporting period. The analysis is prepared assuming the balances outstanding at the end of each reporting period were outstanding for the whole year/period. A 5 basis point increase or decrease on variable-rate restricted cash and bank balances is used which represents management's assessment of the reasonably possible change in interest rates. If interest rates on variable-rate restricted cash and bank balances had been 5 basis points higher/lower and all other variables held constant, the potential effect on the Jin Jiang Travel Group's and Jin Jiang Travel's post-tax profit would have been as follows:

	The Jin Jiang Travel Group				Jin Jiang Travel			
	Year ended 31 December			Six months ended	Year ended 31 December			Six months ended
	2007	2008	2009	30 June 2010	2007	2008	2009	30 June 2010
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Increase (decrease) in post-tax profit for the year/period	10,196	11,557	11,300	12,317	3,220	4,312	3,753	4,872

In the opinion of the directors of the Jin Jiang Travel Group, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year/period end exposures do not reflect the exposure during the year/period.

(ii) Foreign currency risk

Foreign currency risk is the risk that the holding of foreign currency-denominated assets and liabilities will affect the Jin Jiang Travel Group's and Jin Jiang Travel's financial position as a result of a change in foreign currency exchange rates. Certain trade and other receivables, cash and cash equivalents and trade and other payables of the Jin Jiang Travel Group and Jin Jiang Travel are denominated in foreign currencies, details of which are set out in respective notes, and they expose the Jin Jiang Travel Group and Jin Jiang Travel to foreign currency risk. The Jin Jiang Travel Group currently does not use any derivative contracts to hedge against its exposure to foreign currency risk. However, the Jin Jiang Travel Group manages its foreign currency risk by closely monitoring the movements of the foreign currency rates.

The carrying amounts of the Jin Jiang Travel Group's and Jin Jiang Travel's foreign currency-denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	The Jin Jiang Travel Group				Jin Jiang Travel			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS								
United States Dollars ("USD")	25,296	22,031	14,578	30,895	138	199	199	204
Euro ("EUR")	740	750	7,057	1,970	—	—	—	—
Japanese Yen ("JPY")	601	693	98	273	—	—	—	—
Hong Kong Dollars ("HKD")	52	811	1,791	1,328	—	—	—	—
Australian Dollars ("AUD")	3,714	2,550	1,764	1,552	—	—	—	—
	<u>30,403</u>	<u>26,835</u>	<u>25,288</u>	<u>36,018</u>	<u>138</u>	<u>199</u>	<u>199</u>	<u>204</u>
LIABILITIES								
USD	5,091	10,180	14,690	12,451	—	—	—	—
EUR	—	632	140	1,791	—	—	—	—
JPY	473	4,920	4,205	6,690	—	—	—	—
	<u>5,564</u>	<u>15,732</u>	<u>19,035</u>	<u>20,932</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The following table details the Jin Jiang Travel Group's sensitivity to a 5% change in RMB against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. The sensitivity analysis includes trade and other receivables, cash and cash equivalents and trade and other payables denominated in foreign currencies.

A positive number below indicates an increase in post-tax profit where RMB strengthens 5% against the relevant foreign currencies. A negative number indicates a decrease in post-tax profit.

	The Jin Jiang Travel Group				Jin Jiang Travel			
	Year ended 31 December			Six months ended	Year ended 31 December			Six months ended
	2007	2008	2009	30 June 2010	2007	2008	2009	30 June 2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD	(677)	(444)	4	(692)	(5)	(7)	(7)	(8)
EUR	(25)	(4)	(259)	(7)	—	—	—	—
JPY	(4)	159	154	241	—	—	—	—
HKD	(2)	(30)	(67)	(50)	—	—	—	—
AUD	(124)	(96)	(66)	(58)	—	—	—	—

For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax profit.

In the opinion of the directors of the Jin Jiang Travel Group, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposures do not reflect the exposure during the Relevant Period.

(iii) Other price risk

The Jin Jiang Travel Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Jin Jiang Travel Group's equity price risk is mainly concentrated on equity instruments operating in the tourism and banking industry sectors quoted in the Shanghai Stock Exchange. The management closely monitors such risks and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of each reporting period. If the prices of the respective equity instruments had been 10% higher/lower and all other variables held constant, the potential effect on the Jin Jiang Travel Group's and Jin Jiang Travel's investment revaluation reserve would have been as follows:

	The Jin Jiang Travel Group				Jin Jiang Travel			
	Year ended 31 December			Six months ended	Year ended 31 December			Six months ended
	2007	2008	2009	30 June 2010	2007	2008	2009	30 June 2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Increase (decrease) in investment revaluation reserve for the year/period	85,841	28,250	64,467	49,904	85,539	28,111	64,239	49,761

In the opinion of the directors of the Jin Jiang Travel Group, the sensitivity analysis is unrepresentative of the inherent other price risk as the year/period end exposures do not reflect the exposure during the year/period.

(d) Credit risk

The Jin Jiang Travel Group's and Jin Jiang Travel's maximum exposure to credit risk which will cause a financial loss to the Jin Jiang Travel Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of each reporting period.

In order to minimise the credit risk, the management of the Jin Jiang Travel Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Moreover, the directors of Jin Jiang Travel continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower risk exposure or to recover the overdue debts. In this regard, the directors of Jin Jiang Travel consider that the Jin Jiang Travel Group's credit risk is significantly reduced.

The directors of Jin Jiang Travel consider the credit risk on the unlisted debt securities to be minimal as sufficient security has been obtained.

The Jin Jiang Travel Group has no significant concentration of credit risk on the trade and other receivables, with exposure spread over a number of counterparties and customers.

The Jin Jiang Travel Group has concentration of credit risk on liquid funds which are deposited mainly with several banks in the PRC. However, the credit risk on bank balances is limited because the counterparties are state-owned banks located in the PRC with good reputation or those banks with high credit ratings.

(e) Liquidity risk

In the management of the liquidity risk, the Jin Jiang Travel Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Jin Jiang Travel Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Jin Jiang Travel Group's and Jin Jiang Travel's remaining contractual maturity for its non-derivative financial liabilities as at 31 December 2007, 2008 and 2009 and 30 June 2010 based on the agreed repayment terms.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Jin Jiang Travel Group and Jin Jiang Travel can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
The Jin Jiang Travel Group					
<i>Non-derivative financial liabilities</i>					
As at 31 December 2007					
Trade and other payables	—	<u>94,704</u>	<u>78,638</u>	<u>173,342</u>	<u>173,342</u>
As at 31 December 2008					
Trade and other payables	—	<u>90,010</u>	<u>46,011</u>	<u>136,021</u>	<u>136,021</u>
As at 31 December 2009					
Trade and other payables	—	<u>98,176</u>	<u>36,720</u>	<u>134,896</u>	<u>134,896</u>
As at 30 June 2010					
Trade and other payables	—	<u>136,151</u>	<u>34,001</u>	<u>170,152</u>	<u>170,152</u>
Jin Jiang Travel					
<i>Non-derivative financial liabilities</i>					
As at 31 December 2007					
Trade and other payables	—	<u>78,841</u>	<u>—</u>	<u>78,841</u>	<u>78,841</u>
As at 31 December 2008					
Trade and other payables	—	<u>86,868</u>	<u>—</u>	<u>86,868</u>	<u>86,868</u>
As at 31 December 2009					
Trade and other payables	—	<u>75,134</u>	<u>—</u>	<u>75,134</u>	<u>75,134</u>
As at 30 June 2010					
Trade and other payables	—	<u>104,345</u>	<u>—</u>	<u>104,345</u>	<u>104,345</u>

(f) Fair value

The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value measurements recognised in the consolidated statements of financial position

The Jin Jiang Travel Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Level 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities ("Level 1 measurements");
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) ("Level 2 measurements"); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Jin Jiang Travel Group's listed equity securities classified as available-for-sale financial assets with carrying values of approximately RMB1,144,542,000, RMB376,673,000, RMB859,554,000 and RMB665,389,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, are Level 1 measurements. Jin Jiang Travel's listed equity securities classified as available-for-sale financial assets with carrying values of approximately RMB1,140,519,000, RMB374,809,000, RMB856,521,000 and RMB663,481,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, are Level 1 measurements. The Jin Jiang Travel Group's and Jin Jiang Travel's unlisted debt securities classified as available-for-sale financial assets with a carrying value of RMB20,000,000 as at 31 December 2009 and 30 June 2010 are Level 2 measurements.

There were no transfers between Level 1 and 2 during the Relevant Period.

The directors of Jin Jiang Travel consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values at the end of each reporting period.

7. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

Turnover represents the net amounts received and receivable for sales of goods sold and services provided to customers during the Relevant Period.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Service income from tourism and related business	1,592,455	1,648,506	1,553,640	686,856	818,827
Property rental income	15,534	15,817	15,316	7,518	7,380
Property management service fees	5,439	5,545	6,038	2,348	3,378
Sales of coating materials	16,933	15,305	13,392	6,639	6,002
Cargo transportation service fees	11,988	11,421	11,531	5,312	5,210
	<u>1,642,349</u>	<u>1,696,594</u>	<u>1,599,917</u>	<u>708,673</u>	<u>840,797</u>

(b) Segment information

Products and services within each reportable segment

The chief operating decision maker of the Jin Jiang Travel Group has been identified as the board of directors. For management purposes, the Jin Jiang Travel Group is organised into three reportable segments — tourism and related business, property business and others. These reportable segments form the basis on which the board of directors makes decisions about resource allocation and performance assessment. The principal products and services of each of these segments are as follows:

Tourism and related business	Provision of travel agency and related services
Property business	Property leasing and management
All other segments	Production of coating materials and cargo transportation agency

Segment turnover and segment results

	Segment turnover					Segments results				
	Year ended 31 December			Six months ended 30 June		Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)					(Unaudited)	
Tourism and related business	1,592,455	1,648,506	1,553,640	686,856	818,827	127,344	131,218	144,117	72,623	80,100
Property business	20,973	21,362	21,354	9,866	10,758	10,503	10,999	11,132	4,501	5,318
All other segments	28,921	26,726	24,923	11,951	11,212	4,555	4,648	5,710	2,628	2,047
	<u>1,642,349</u>	<u>1,696,594</u>	<u>1,599,917</u>	<u>708,673</u>	<u>840,797</u>	<u>142,402</u>	<u>146,865</u>	<u>160,959</u>	<u>79,752</u>	<u>87,465</u>
Unallocated income and expenses:										
Investment income						8,740	15,168	13,802	7,722	6,955
Other income and other gains and losses						10,000	125	22,270	9,111	17,072
Selling and marketing expenses						(80,696)	(83,693)	(94,591)	(44,287)	(48,236)
Administrative expenses						(46,344)	(54,562)	(61,315)	(25,340)	(28,716)
Share of results of associates						7,273	2,611	5,450	(1,769)	4,321
Profit before tax						41,375	26,514	46,575	25,189	38,861
Income tax expense						(4,911)	(6,727)	(7,216)	(4,058)	(7,874)
Profit for the year/period						<u>36,464</u>	<u>19,787</u>	<u>39,359</u>	<u>21,131</u>	<u>30,987</u>

The accounting policies of the reportable segments are the same as the Jin Jiang Travel Group's accounting policies described in note 3. Segment results represent the results of each reportable segment, excluding selling and marketing expenses, administrative expenses, investment income, other income and other gains and losses, share of results of associates and income tax expense.

As no discrete information in respect of segment assets and liabilities and other information is reviewed by the board of directors for the assessment of performance and allocation of resources for different reportable segments, other than reportable segment turnover and results as disclosed above, no analysis of segment assets and liabilities and other segment information is presented.

Geographical information

The Jin Jiang Travel Group's operations are located in the PRC (country of domicile). All of the Jin Jiang Travel Group's non-current assets are located in the PRC and therefore, no geographical information has been presented.

The following table provides an analysis of the Jin Jiang Travel Group's turnover by geographical location of customers, irrespective of the origin of the goods/services:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Turnover analysed by:					
PRC (country of domicile)	1,307,449	1,378,267	1,336,787	646,463	701,735
Other countries	<u>334,900</u>	<u>318,327</u>	<u>263,130</u>	<u>62,210</u>	<u>139,062</u>
	<u>1,642,349</u>	<u>1,696,594</u>	<u>1,599,917</u>	<u>708,673</u>	<u>840,797</u>

No further breakdown of turnover from other countries is presented as such information is not available and the cost to develop it would be excessive.

Information about major customers

No individual customer contributed over 10% of the total turnover of the Jin Jiang Travel Group during the Relevant Period.

8. INVESTMENT INCOME

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest income on bank deposits	3,867	4,792	4,181	1,842	1,941
Dividends from listed equity securities classified as available-for-sale financial assets	4,873	10,376	9,621	5,880	5,014
	<u>8,740</u>	<u>15,168</u>	<u>13,802</u>	<u>7,722</u>	<u>6,955</u>

9. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Government grants (<i>note</i>)	598	2,291	1,681	1,047	2,030
(Loss) gain on disposal of property, plant and equipment	(67)	(4)	(235)	116	(6)
Net foreign exchange (losses) gains	(1,192)	(343)	843	522	(473)
(Allowance for) reversal of bad and doubtful debts	(1,992)	187	60	112	—
Impairment loss of property, plant and equipment	—	(3,876)	—	—	—
Gain from changes in fair value of financial assets at FVTPL	2,416	377	510	—	150
Cumulative gain reclassified from equity on disposal of investments classified as available-for-sale	9,222	—	18,052	7,260	11,411
Gain on disposal of subsidiaries (<i>note 30</i>)	—	—	—	—	521
Gain on liquidation of an associate (<i>note 22</i>)	—	—	—	—	2,013
Others	1,015	1,493	1,359	54	1,426
	<u>10,000</u>	<u>125</u>	<u>22,270</u>	<u>9,111</u>	<u>17,072</u>

Note: The amounts represent non-recurring government subsidies received from the local authorities by the Jin Jiang Travel Group. There are no unfulfilled conditions and other contingencies attaching to such government grants.

10. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current tax					
— PRC Enterprise Income Tax (“EIT”)	4,994	6,542	10,524	6,107	6,824
— (Over) under provision of EIT in prior years	(83)	185	209	12	33
	<u>4,911</u>	<u>6,727</u>	<u>10,733</u>	<u>6,119</u>	<u>6,857</u>
Deferred tax (<i>note 20</i>)					
— Current year/period	—	—	(3,517)	(2,061)	1,017
	<u>4,911</u>	<u>6,727</u>	<u>7,216</u>	<u>4,058</u>	<u>7,874</u>

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “EIT Law”) by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the EIT Law. Under the EIT Law and Implementation Regulation, the statutory EIT rate of domestic enterprises was reduced from 33% to 25% from 1 January 2008 onwards.

The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled under the EIT Law.

The applicable tax rates of Jin Jiang Travel and its subsidiaries for the Relevant Period are as follows:

	<i>Notes</i>	Year ended 31 December		Six months ended	
		2007	2008	2009	30 June 2010
		%	%	%	%
Jin Jiang Travel		33.0	25.0	25.0	25.0
Shanghai CITS	a	15.0	25.0	25.0	25.0
Guozhily Property Management	b, e	27.0	20.0	20.0	20.0
Cargo Transportation Agency	e	33.0	25.0	20.0	20.0
CITS Tour Guide		33.0	25.0	25.0	25.0
CITS Advertising		33.0	25.0	25.0	25.0
Sinrank Coating Materials	c	27.0	25.0	25.0	25.0
Huate International Tourism	e	33.0	20.0	20.0	20.0
Huate Tour Guide Service	d, e	18.0	20.0	20.0	20.0
Green Holiday Travel		33.0	25.0	25.0	25.0
Zhejiang International Travel		33.0	25.0	25.0	25.0
Jin Jiang Tourism	a	15.0	25.0	25.0	25.0
Shanghai Travel Agency		33.0	25.0	25.0	25.0
Huating Overseas Tourism	a	15.0	25.0	25.0	25.0
Jin Jiang Overseas Affairs Service	e	33.0	25.0	20.0	20.0
Shanghai Strait Exchange	e	33.0	20.0	20.0	20.0
Beijing International Travel		33.0	25.0	25.0	25.0
Jin Jiang Holiday Travel Agency	a	<u>15.0</u>	<u>25.0</u>	<u>25.0</u>	<u>25.0</u>

Notes:

- (a) Shanghai CITS, Jin Jiang Tourism, Huating Overseas Tourism and Jin Jiang Holiday Travel Agency are registered in Pudong New Area, Shanghai, the PRC and were subject to EIT at a rate of 15% for the year ended 31 December 2007.
- (b) Guozhily Property Management's taxable income was between RMB30,000 and RMB100,000 for the year ended 31 December 2007 and was subject to EIT at a rate of 27% under the relevant tax regulations for the year then ended.
- (c) Sinrank Coating Materials is a sino-foreign equity joint venture production enterprise registered in Minhang District, Shanghai, the PRC and was subject to EIT at a rate of 27% for the year ended 31 December 2007.
- (d) Huate Tour Guide Service's taxable income was less than RMB30,000 for the year ended 31 December 2007 and was subject to EIT at a rate of 18% under the relevant tax regulations for the year then ended.
- (e) Certain subsidiaries are regarded as small profit-making enterprises under the relevant tax regulations. Therefore, their applicable EIT rates have been 20% for the respective year/period from 1 January 2008 onwards.

The tax charge for the Relevant Period can be reconciled to the profit per the consolidated income statements as follows:

	Year ended 31 December			Six months ended	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before tax	41,375	26,514	46,575	25,189	38,861
Tax at PRC EIT rate (2007: 33%; 2008, 2009 and 2010: 25%)	13,654	6,628	11,644	6,297	9,715
Tax effect of share of results of associates	(2,400)	(653)	(1,363)	442	(1,080)
Tax effect of expenses that are not deductible for tax purpose	—	1,015	239	74	412
Tax effect of income not taxable for tax purpose	(1,890)	(2,662)	(2,405)	(1,472)	(1,254)
(Over) under provision of EIT in respect of prior years	(83)	185	209	12	33
Tax effect of tax losses/deductible temporary differences not recognised	1,132	3,213	739	339	265
Utilisation of tax losses/deductible temporary differences previously not recognised	(1,387)	(913)	(1,781)	(1,583)	(211)
Effect of different tax rates of subsidiaries	(4,115)	(86)	(66)	(51)	(6)
Tax charge for the year/period	4,911	6,727	7,216	4,058	7,874

Note: The PRC EIT rates of 33% for the year ended 31 December 2007, and 25% for the two years ended 31 December 2009 and the six months ended 30 June 2010 represent the statutory tax rate applicable to the Jin Jiang Travel Group's operations conducted in the PRC throughout the Relevant Period.

11. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging (crediting):

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost of inventories recognised as expenses	15,532	14,084	11,374	5,757	5,391
Staff cost (including directors' emoluments)					
— Salaries and other benefits	77,892	94,889	104,548	48,216	50,685
— Retirement benefit scheme contributions	12,442	12,590	15,031	7,058	8,011
	<u>90,334</u>	<u>107,479</u>	<u>119,579</u>	<u>55,274</u>	<u>58,696</u>
Depreciation and amortisation:					
— Property, plant and equipment	5,809	7,437	6,050	2,986	3,193
— Investment properties	4,285	4,285	4,285	2,143	2,143
— Intangible assets (included in selling and marketing expenses and administrative expenses)	370	321	325	167	29
Amortisation of land use rights	27	27	27	14	14
Auditors' remuneration	1,086	782	988	481	551
Gross rental income from investment properties	15,534	15,817	15,316	7,518	7,380
Less: direct operating expenses from investment properties	(8,238)	(7,901)	(7,895)	(4,230)	(3,975)
	<u>7,296</u>	<u>7,916</u>	<u>7,421</u>	<u>3,288</u>	<u>3,405</u>

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of the emoluments paid or payable to the directors of Jin Jiang Travel for the Relevant Period are as follows:

	Year ended 31 December 2007			Total RMB'000
	Director fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	
Executive directors:				
Song Chaoqi	—	331	75	406
Zhang Baohua (<i>note</i>)	—	—	—	—
He Chengming	—	289	68	357
Ma Mingju (<i>note</i>)	—	—	—	—
Shu Chang (<i>note</i>)	—	—	—	—
Wang Junxing	—	247	61	308
	—	867	204	1,071
Independent non-executive directors:				
Zhao Yelong	40	—	—	40
Zhu Rong'en	40	—	—	40
Yu Bingyan	40	—	—	40
	120	—	—	120
	Year ended 31 December 2008			
	Director fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:				
Song Chaoqi	—	369	125	494
Zhang Baohua (<i>note</i>)	—	—	—	—
He Chengming	—	142	114	256
Ma Mingju (<i>note</i>)	—	—	—	—
Zhu Qian (<i>note</i>)	—	—	—	—
Wang Junxing	—	282	96	378
	—	793	335	1,128
Independent non-executive directors:				
Zhao Yelong	40	—	—	40
Zhu Rong'en	40	—	—	40
Yu Bingyan	40	—	—	40
	120	—	—	120

	Six months ended 30 June 2010			Total RMB'000
	Director fees RMB'000	Basic salaries and allowances RMB'000	Retirement	
			benefit scheme contributions RMB'000	
Executive directors:				
Song Chaoqi	—	147	21	168
Zhang Baohua (<i>note</i>)	—	—	—	—
Ma Mingju (<i>note</i>)	—	—	—	—
Zhu Qian (<i>note</i>)	—	—	—	—
Wang Junxing	—	88	19	107
	—	235	40	275
Independent non-executive directors:				
Zhao Yelong	30	—	—	30
Zhu Rong'en	30	—	—	30
Yu Bingyan	30	—	—	30
	90	—	—	90

Note: These directors did not receive any emoluments from the Jin Jiang Travel Group during the Relevant Period. They were paid by Jin Jiang International and it was considered impractical to make an allocation of their emoluments.

During the Relevant Period, no emoluments were paid by the Jin Jiang Travel Group to the directors of Jin Jiang Travel as inducement to join or upon joining the Jin Jiang Travel Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Period.

No individual director waived any emoluments during the Relevant Period.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Jin Jiang Travel Group, three, two, two, two and two were directors of Jin Jiang Travel for each of the years ended 31 December 2007, 31 December 2008 and 31 December 2009 and the six months ended 30 June 2009 and 30 June 2010, respectively, details of whose emoluments are included in the disclosures in (a) above.

The emoluments of the remaining two, three, three, three and three individuals during the Relevant Period were as follows:

	Year ended 31 December			Six months ended 30 June	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000	2010 RMB'000
Salaries and allowances	518	807	987	264	264
Retirement benefit scheme contributions	89	162	127	36	63
	607	969	1,114	300	327

The emoluments of the five highest paid individuals, others than directors, during the Relevant Period were within HKD1,000,000.

During the Relevant Period, no emoluments was paid by the Jin Jiang Travel Group to the five individuals with the highest emoluments in the Jin Jiang Travel Group as an inducement to join or upon joining the Jin Jiang Travel Group or as compensation for loss of office.

13. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Dividends recognised as distributions during the year/period:					
2007: 2006 final dividend RMB0.12 per share	15,907	—	—	—	—
2008: 2007 final dividend RMB0.20 per share	—	26,511	—	—	—
2009: 2008 final dividend RMB0.08 per share	—	—	10,605	10,605	—
2010: 2009 final dividend RMB0.20 per share	—	—	—	—	26,511

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010.

14. EARNING PER SHARE

The calculation of basic earnings per share for the Relevant Period is based on the profit for the year/period attributable to shareholders of Jin Jiang Travel for the relevant year/period and the 132,556,270 shares in Jin Jiang Travel in issue.

There were no potential dilutive shares in existence during the Relevant Period and therefore no diluted earnings per share amounts have been presented.

15. PROPERTY, PLANT AND EQUIPMENT

The Jin Jiang Travel Group

	Buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2007	69,144	—	23,500	28,329	2,115	3,494	126,582
Additions	240	—	400	4,242	764	2,099	7,745
Transfer	1,461	2,490	1,171	—	421	(5,543)	—
Reclassified from investment properties	14,317	—	—	—	—	—	14,317
Disposals	—	—	(905)	(2,195)	(149)	—	(3,249)
At 31 December 2007	85,162	2,490	24,166	30,376	3,151	50	145,395
Additions	—	879	870	175	654	3,581	6,159
Transfer	506	—	—	1,733	—	(2,239)	—
Reclassified to investment properties	(17,990)	—	—	—	—	—	(17,990)
Disposals	(103)	—	(727)	(2,587)	(152)	—	(3,569)
At 31 December 2008	67,575	3,369	24,309	29,697	3,653	1,392	129,995
Additions	118	1,587	653	327	208	2,833	5,726
Transfer	1,680	—	5	—	11	(1,696)	—
Disposals	—	—	(6,948)	(1,341)	(236)	—	(8,525)
At 31 December 2009	69,373	4,956	18,019	28,683	3,636	2,529	127,196
Additions	—	253	690	370	179	324	1,816
Transfer	—	168	185	—	—	(353)	—
Disposed of on disposal of subsidiaries (note 30)	—	(12)	—	—	(405)	—	(417)
Disposals	—	—	(175)	(381)	(5)	—	(561)
At 30 June 2010	69,373	5,365	18,719	28,672	3,405	2,500	128,034
DEPRECIATION AND IMPAIRMENT							
At 1 January 2007	13,684	—	16,310	17,841	1,191	—	49,026
Provided for the year	1,695	—	1,304	2,414	396	—	5,809
Reclassified from investment properties	1,437	—	—	—	—	—	1,437
Eliminated on disposals	—	—	(866)	(1,763)	(135)	—	(2,764)
At 31 December 2007	16,816	—	16,748	18,492	1,452	—	53,508
Provided for the year	1,824	561	1,475	2,695	882	—	7,437
Impairment loss recognised in profit and loss (note)	—	—	3,623	224	29	—	3,876
Reclassified to investment properties	(2,958)	—	—	—	—	—	(2,958)
Eliminated on disposals	(103)	—	(667)	(2,462)	(110)	—	(3,342)
At 31 December 2008	15,579	561	21,179	18,949	2,253	—	58,521
Provided for the year	1,859	657	727	2,379	428	—	6,050
Impairment loss eliminated on disposals	—	—	—	(8)	—	—	(8)
Eliminated on disposals	—	—	(6,644)	(1,241)	(115)	—	(8,000)
At 31 December 2009	17,438	1,218	15,262	20,079	2,566	—	56,563
Provided for the period	962	397	469	1,142	223	—	3,193
Eliminated on disposal of subsidiaries (note 30)	—	(8)	—	—	(352)	—	(360)
Eliminated on disposals	—	—	(169)	(362)	(3)	—	(534)
At 30 June 2010	18,400	1,607	15,562	20,859	2,434	—	58,862
CARRYING VALUES							
At 31 December 2007	68,346	2,490	7,418	11,884	1,699	50	91,887
At 31 December 2008	51,996	2,808	3,130	10,748	1,400	1,392	71,474
At 31 December 2009	51,935	3,738	2,757	8,604	1,070	2,529	70,633
As at 30 June 2010	50,973	3,758	3,157	7,813	971	2,500	69,172

Jin Jiang Travel

	Buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2007	65,511	—	8,289	26,187	487	—	100,474
Additions	—	—	215	4,240	14	1,461	5,930
Transfer	1,461	—	—	—	—	(1,461)	—
Reclassified from investment properties	14,317	—	—	—	—	—	14,317
Disposals	—	—	—	(2,195)	(11)	—	(2,206)
At 31 December 2007	81,289	—	8,504	28,232	490	—	118,515
Additions	—	—	372	108	6	3,581	4,067
Transfer	506	—	—	1,683	—	(2,189)	—
Reclassified to investment properties	(17,990)	—	—	—	—	—	(17,990)
Disposals	—	—	(504)	(2,587)	—	—	(3,091)
At 31 December 2008	63,805	—	8,372	27,436	496	1,392	101,501
Additions	—	—	128	—	19	2,732	2,879
Transfer	1,680	—	5	—	11	(1,696)	—
Disposals	—	—	(6,125)	(929)	(63)	—	(7,117)
At 31 December 2009	65,485	—	2,380	26,507	463	2,428	97,263
Additions	—	—	22	370	—	239	631
Transfer	—	168	—	—	—	(168)	—
Disposals	—	—	—	(381)	—	—	(381)
At 30 June 2010	65,485	168	2,402	26,496	463	2,499	97,513
DEPRECIATION							
At 1 January 2007	11,822	—	6,711	16,880	395	—	35,808
Provided for the year	1,306	—	357	2,252	22	—	3,937
Reclassified from investment properties	1,437	—	—	—	—	—	1,437
Eliminated on disposals	—	—	—	(1,763)	(10)	—	(1,773)
At 31 December 2007	14,565	—	7,068	17,369	407	—	39,409
Provided for the year	1,495	—	510	2,495	21	—	4,521
Reclassified to investment properties	(2,958)	—	—	—	—	—	(2,958)
Eliminated on disposals	—	—	(436)	(2,462)	—	—	(2,898)
At 31 December 2008	13,102	—	7,142	17,402	428	—	38,074
Provided for the year	1,632	—	271	2,200	14	—	4,117
Eliminated on disposals	—	—	(5,776)	(854)	(15)	—	(6,645)
At 31 December 2009	14,734	—	1,637	18,748	427	—	35,546
Provided for the period	877	17	131	1,046	8	—	2,079
Eliminated on disposals	—	—	—	(362)	—	—	(362)
At 30 June 2010	15,611	17	1,768	19,432	435	—	37,263
CARRYING VALUES							
At 31 December 2007	66,724	—	1,436	10,863	83	—	79,106
At 31 December 2008	50,703	—	1,230	10,034	68	1,392	63,427
At 31 December 2009	50,751	—	743	7,759	36	2,428	61,717
As at 30 June 2010	49,874	151	634	7,064	28	2,499	60,250

The above items of property, plant and equipment, other than construction in progress, after taking into account of their estimated residual values, are depreciated on a straight-line basis at the following rates per annum:

Buildings	1.9–4.75%
Leasehold improvements	20.0–30.0%
Plant and machinery	4.5–19.0%
Motor vehicles	7.5–19.0%
Equipment and furniture	9.0–31.7%

Note: Sinrank Coating Materials was ordered to rectify its operations in 2008 as it was unable to meet the relevant environmental protection requirements. A full provision for impairment loss amounting to RMB3,876,000 was recognised in respect of its property, plant and equipment to the extent that the carrying amount exceeded the recoverable amount based on value in use.

16. LAND USE RIGHTS

The amounts represent land use rights situated in the PRC and held under medium-term leases. Land use rights are amortised on a straight-line basis over the relevant terms of the land use rights certificates.

17. INVESTMENT PROPERTIES

	Buildings <i>RMB'000</i>
COST	
At 1 January 2007	219,295
Reclassified to property, plant and equipment	<u>(14,317)</u>
At 31 December 2007	204,978
Reclassified from property, plant and equipment	<u>17,990</u>
At 31 December 2008 and 2009, and 30 June 2010	<u>222,968</u>
DEPRECIATION	
At 1 January 2007	35,738
Provided for the year	4,285
Reclassified to property, plant and equipment	<u>(1,437)</u>
At 31 December 2007	38,586
Provided for the year	4,285
Reclassified from property, plant and equipment	<u>2,958</u>
At 31 December 2008	45,829
Provided for the year	<u>4,285</u>
At 31 December 2009	50,114
Provided for the period	<u>2,143</u>
At 30 June 2010	<u>52,257</u>
CARRYING VALUES	
At 31 December 2007	<u>166,392</u>
At 31 December 2008	<u>177,139</u>
At 31 December 2009	<u>172,854</u>
At 30 June 2010	<u>170,711</u>

The fair value of the Jin Jiang Travel Group's investment properties at 31 December 2007, 2008 and 2009 and 30 June 2010 was RMB455,707,000, RMB490,257,000, RMB452,545,000 and RMB414,103,000 respectively. The fair value has been arrived at by the management using the income approach.

The above items of investment properties, after taking into account of their estimated residual values, are depreciated on a straight-line basis at 1.9% per annum.

18. INTANGIBLE ASSETS

The Jin Jiang Travel Group

	Software RMB'000
COST	
At 1 January 2007	1,862
Additions	<u>32</u>
At 31 December 2007	1,894
Disposals	<u>(2)</u>
At 31 December 2008	1,892
Additions	<u>98</u>
At 31 December 2009	1,990
Disposed of on disposal of subsidiaries (<i>note 30</i>)	<u>(80)</u>
At 30 June 2010	<u>1,910</u>
AMORTISATION	
At 1 January 2007	901
Charge for the year	<u>370</u>
At 31 December 2007	1,271
Charge for the year	<u>321</u>
At 31 December 2008	1,592
Charge for the year	<u>325</u>
At 31 December 2009	1,917
Charge for the period	29
Eliminated on disposal of subsidiaries (<i>note 30</i>)	<u>(71)</u>
At 30 June 2010	<u>1,875</u>
CARRYING VALUES	
At 31 December 2007	<u><u>623</u></u>
At 31 December 2008	<u><u>300</u></u>
At 31 December 2009	<u><u>73</u></u>
At 30 June 2010	<u><u>35</u></u>

Jin Jiang Travel

	Software <i>RMB'000</i>
COST	
At 1 January 2007	564
Additions	<u>18</u>
At 31 December 2007 and 2008	582
Additions	<u>98</u>
At 31 December 2009 and 30 June 2010	<u>680</u>
AMORTISATION	
At 1 January 2007	15
Charge for the year	<u>227</u>
At 31 December 2007	242
Charge for the year	<u>183</u>
At 31 December 2008	425
Charge for the year	<u>204</u>
At 31 December 2009	629
Charge for the period	<u>26</u>
At 30 June 2010	<u>655</u>
CARRYING VALUES	
At 31 December 2007	<u><u>340</u></u>
At 31 December 2008	<u><u>157</u></u>
At 31 December 2009	<u><u>51</u></u>
At 30 June 2010	<u><u>25</u></u>

The above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over two to five years.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Jin Jiang Travel Group				Jin Jiang Travel			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Listed investments, at fair value:								
— equity securities listed in the PRC	1,144,542	376,673	859,554	665,389	1,140,519	374,809	856,521	663,481
Unlisted debt securities, at fair value:								
— trust units with maturity date on 09/12/2011	—	—	20,000	20,000	—	—	20,000	20,000
Unlisted equity securities, at cost less impairment:								
— equity securities	2,057	2,057	2,057	2,057	2,057	2,057	2,057	2,057
— others	857	857	857	857	857	857	857	857
Total	1,147,456	379,587	882,468	688,303	1,143,433	377,723	879,435	686,395

The above unlisted equity securities are issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors of Jin Jiang Travel are of the opinion that their fair values cannot be measured reliably.

20. DEFERRED TAXATION

The Jin Jiang Travel Group

	Temporary difference relating to payroll and welfare payables RMB'000
Deferred income tax assets	
At 1 January 2007, 31 December 2007 and 2008	—
Credit to profit or loss	3,517
At 31 December 2009	3,517
Charge to profit or loss	(1,017)
At 30 June 2010	2,500

Deferred income tax liabilities	Fair value gain on available- for-sale financial assets <i>RMB'000</i>
At 1 January 2007	71,460
Effect of a change in tax rates	(17,324)
Charge to other comprehensive income	<u>218,188</u>
At 31 December 2007	272,324
Credit to other comprehensive income	<u>(191,967)</u>
At 31 December 2008	80,357
Charge to other comprehensive income	<u>120,929</u>
At 31 December 2009	201,286
Credit to other comprehensive income	<u>(53,796)</u>
At 30 June 2010	<u><u>147,490</u></u>
Jin Jiang Travel	
	Temporary difference relating to payroll and welfare payables <i>RMB'000</i>
Deferred income tax assets	
At 1 January 2007, 31 December 2007 and 2008	—
Credit to profit or loss	<u>2,328</u>
At 31 December 2009	2,328
Charge to profit or loss	<u>(781)</u>
At 30 June 2010	<u><u>1,547</u></u>

Deferred income tax liabilities	Fair value gain on available- for-sale financial assets <i>RMB'000</i>
At 1 January 2007	71,002
Effect of a change in tax rates	(17,213)
Charge to other comprehensive income	<u>217,702</u>
At 31 December 2007	271,491
Credit to other comprehensive income	<u>(191,428)</u>
At 31 December 2008	80,063
Charge to other comprehensive income	<u>120,611</u>
At 31 December 2009	200,674
Credit to other comprehensive income	<u>(53,514)</u>
At 30 June 2010	<u><u>147,160</u></u>

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Jin Jiang Travel Group has unused tax losses of RMB1,970,000, RMB9,704,000, RMB5,952,000 and RMB6,841,000, respectively. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

The expiry of unrecognised tax losses are analysed as follows:

	As at 31 December		As at 30 June	
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2010	171	171	171	171
2011	386	386	386	386
2012	1,413	1,340	1,340	1,340
2013	—	7,807	1,881	1,881
2014	—	—	2,174	2,003
2015	—	—	—	1,060
	<u>1,970</u>	<u>9,704</u>	<u>5,952</u>	<u>6,841</u>

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Jin Jiang Travel Group has deductible temporary differences of RMB9,391,000, RMB10,855,000, RMB10,439,000 and RMB9,767,000 respectively. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

21. INVESTMENTS IN SUBSIDIARIES

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Jin Jiang Travel				
Unlisted investments, at cost	67,812	67,812	67,889	65,973
Less: impairment loss recognised	(1,189)	(4,221)	(5,380)	(5,636)
	<u>66,623</u>	<u>63,591</u>	<u>62,509</u>	<u>60,337</u>

22. INTERESTS IN ASSOCIATES

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Jin Jiang Travel				
Cost of unlisted investments in associates	39,621	39,621	39,621	39,397
Share of post-acquisition results, net of dividends received	<u>23,508</u>	<u>24,973</u>	<u>29,513</u>	<u>23,354</u>
	<u>63,129</u>	<u>64,594</u>	<u>69,134</u>	<u>62,751</u>

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Jin Jiang Travel Group had interests in the following associates:

Name of entities	Place of establishment/ operation	Proportion of equity interest/voting power held by the Jin Jiang Travel Group				Paid-in capital	Principal activities
		As at 31 December		As at 30 June			
		2007	2008	2009	2010		
上海錦江商旅汽車服務股份有限公司 (Shanghai Jin Jiang Business and Travel Auto Service Co., Ltd.)	PRC	20%	20%	20%	20%	RMB70,000,000	Provision of vehicle rental services
上海浦江遊覽有限公司 (Shanghai Huangpu River Cruise Co., Ltd.)	PRC	20%	20%	20%	20%	RMB16,513,700	Travel agency
上海東方航空國際旅遊運輸有限公司 (China Oriental International Travel & Transport Co., Ltd.)	PRC	49%	49%	49%	49%	RMB8,000,000	Travel agency
上海外航國際旅行社有限公司 (Shanghai Waihang International Travel Service Co., Ltd.)	PRC	30%	30%	30%	30%	RMB3,500,000	Travel agency
上海一日旅行社有限公司 (Shanghai Oneday Travel Service Co., Ltd.)	PRC	22.86%	22.86%	22.86%	22.86%	RMB3,500,000	Travel agency
上海聚星物業管理有限公司 (Shanghai Juxing Property Management Co., and management Ltd.)	PRC	24.65%	24.65%	24.65%	24.65%	RMB1,000,000	Property leasing and management
上海旅遊(香港)有限公司 (Shanghai Tourism Corporation (Hong Kong) Ltd.) (see note below)	Hong Kong	24.5%	24.5%	24.5%	—	HKD1,000,000	Travel agency

Note: Shanghai Tourism Corporation (Hong Kong) Ltd. ceased its operation and commenced its liquidation process in April 2009. Upon the completion of the liquidation process in February 2010, the Jin Jiang Travel Group received proceeds of RMB6,620,000, resulting in a gain of RMB2,013,000.

The summarised financial information in respect of the Jin Jiang Travel Group's associates is set out below:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	517,879	518,468	575,883	555,628
Total liabilities	(259,017)	(255,583)	(292,075)	(304,280)
Net assets	<u>258,863</u>	<u>262,885</u>	<u>283,808</u>	<u>251,348</u>
Group's share of net assets of associates	<u>63,129</u>	<u>64,594</u>	<u>69,134</u>	<u>62,751</u>
Turnover	<u>977,566</u>	<u>851,391</u>	<u>688,040</u>	<u>458,354</u>
Profit for the year/period	<u>34,343</u>	<u>8,629</u>	<u>23,213</u>	<u>16,831</u>
Other comprehensive income for the year/period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Group's share of profits and other comprehensive income of associates for the year/period	<u>7,273</u>	<u>2,611</u>	<u>5,450</u>	<u>4,321</u>

23. OTHER RECEIVABLES

	NOTES	The Jin Jiang Travel Group				Jin Jiang Travel			
		As at 31 December		At 30 June		As at 31 December		At 30 June	
		2007	2008	2009	2010	2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Quality assurance deposits	(a)	11,300	11,400	140	100	1,600	1,600	—	—
Air-ticket agent deposits	(b)	6,690	6,265	3,980	3,845	4,765	4,515	2,080	2,080
Other deposits		510	410	410	410	400	400	400	400
		<u>18,500</u>	<u>18,075</u>	<u>4,530</u>	<u>4,355</u>	<u>6,765</u>	<u>6,515</u>	<u>2,480</u>	<u>2,480</u>

Notes:

- (a) The amounts represent the quality assurance deposits placed in Shanghai Tourism Bureau, which bear interests at 1.41%, 0.60%, 0.36% and 0.36% as at 31 December 2007, 2008 and 2009 and 30 June 2010.
- (b) The amounts represent deposits placed in Civil Aviation Economical Development Center as the Jin Jiang Travel Group acted as an agent of selling air-tickets, which are not interest bearing.

24. INVENTORIES

	The Jin Jiang Travel Group				Jin Jiang Travel			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	2,149	2,279	1,998	2,142	141	134	147	174
Finished goods	623	613	1,819	597	—	—	—	—
	<u>2,772</u>	<u>2,892</u>	<u>3,817</u>	<u>2,739</u>	<u>141</u>	<u>134</u>	<u>147</u>	<u>174</u>

25. TRADE AND OTHER RECEIVABLES

	NOTES	The Jin Jiang Travel Group				Jin Jiang Travel			
		As at 31 December			At 30 June	As at 31 December			At 30 June
		2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables									
— subsidiaries		—	—	—	—	1,860	2,953	885	3,444
— fellow subsidiaries		—	30	76	251	—	—	—	38
— an associate of Jin Jiang International		41	47	39	96	—	—	—	—
— associates of the Jin Jiang Travel Group		—	—	56	227	41	13	17	227
— third parties		78,064	52,453	49,652	64,822	7,645	3,053	3,062	4,314
Less: allowance for doubtful debts		(11,163)	(8,538)	(8,764)	(8,355)	(1,094)	(1,094)	(1,094)	(1,094)
		<u>66,942</u>	<u>43,992</u>	<u>41,059</u>	<u>57,041</u>	<u>8,452</u>	<u>4,925</u>	<u>2,870</u>	<u>6,929</u>
Bills receivables		51	103	—	—	—	—	—	—
	(a)	<u>66,993</u>	<u>44,095</u>	<u>41,059</u>	<u>57,041</u>	<u>8,452</u>	<u>4,925</u>	<u>2,870</u>	<u>6,929</u>
Other receivables									
— subsidiaries		—	—	—	—	2,238	1,542	160	1,250
— fellow subsidiaries		—	125	149	343	—	—	—	—
— associates of the Jin Jiang Travel Group		32	26	39	50	32	1	—	50
— third parties		16,461	10,562	8,032	14,242	1,536	1,492	1,912	939
Less: allowance for doubtful debts		(293)	(288)	(2)	(2)	(8)	(2)	(2)	(2)
	(b)	<u>16,200</u>	<u>10,425</u>	<u>8,218</u>	<u>14,633</u>	<u>3,798</u>	<u>3,033</u>	<u>2,070</u>	<u>2,237</u>
Advance to suppliers		36,366	37,347	45,937	131,339	6,664	464	13,917	72,165
Dividends receivables	(c)	<u>4,086</u>	<u>2,886</u>	<u>—</u>	<u>—</u>	<u>4,086</u>	<u>2,886</u>	<u>—</u>	<u>—</u>
		<u>123,645</u>	<u>94,753</u>	<u>95,214</u>	<u>203,013</u>	<u>23,000</u>	<u>11,308</u>	<u>18,857</u>	<u>81,331</u>

Notes:

(a) Trade and bills receivables

The Jin Jiang Travel Group's and Jin Jiang Travel's trade and bills receivables at the end of each reporting period comprise amounts receivable from the sales of goods or provision of services during the Relevant Period.

No interest is charged on the trade receivables.

The Jin Jiang Travel Group generally allows a credit period ranging from nil to 180 days to its trade customers from the time when the goods are delivered to and accepted by customers or when the services are rendered to customers. The aged analysis of the Jin Jiang Travel Group's and Jin Jiang Travel's trade and bills receivables, net of allowance for doubtful debts as at the end of each reporting period are as follows:

	The Jin Jiang Travel Group				Jin Jiang Travel			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
0-90 days	16,238	8,717	11,343	13,445	6,445	3,689	2,185	5,402
91-180 days	32,343	21,793	19,808	31,449	1,859	1,084	631	1,524
181-365 days	16,106	12,220	8,548	10,766	—	—	—	—
Over 1 year	2,306	1,365	1,360	1,381	148	152	54	3
	<u>66,993</u>	<u>44,095</u>	<u>41,059</u>	<u>57,041</u>	<u>8,452</u>	<u>4,925</u>	<u>2,870</u>	<u>6,929</u>

Movements of the Jin Jiang Travel Group's and Jin Jiang Travel's allowance for doubtful debts during the Relevant Period are as follows:

	The Jin Jiang Travel Group				Jin Jiang Travel			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/period	9,503	11,456	8,826	8,766	661	1,102	1,096	1,096
Impairment losses recognised on receivables	2,038	726	1,133	—	493	—	—	—
Amount written off as uncollectible	(39)	(2,443)	—	(409)	(39)	—	—	—
Amount recovered during the year/period	(46)	(913)	(1,193)	—	(13)	(6)	—	—
Balance at end of the year/period	<u>11,456</u>	<u>8,826</u>	<u>8,766</u>	<u>8,357</u>	<u>1,102</u>	<u>1,096</u>	<u>1,096</u>	<u>1,096</u>

Other than the above allowance for doubtful debts, the Jin Jiang Travel Group did not provide any allowance on the remaining past due receivables as, in the opinion of the directors of Jin Jiang Travel, there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Jin Jiang Travel Group does not hold any collateral over these balances. In determining the recoverability of the trade receivables, the Jin Jiang Travel Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the end of each reporting period.

Furthermore, in the opinion of the directors of Jin Jiang Travel, there has not been a significant change in credit quality of the Jin Jiang Travel Group's trade receivables which are neither past due nor impaired and the amounts are still considered recoverable based on the historical experience.

(b) Other receivables

Other receivables at the end of each reporting period are interest-free, unsecured and expected to be settled within one year.

(c) Dividends receivables

The amounts as at 31 December 2007 and 2008 represent dividends receivable from associates of the Jin Jiang Travel Group.

The Jin Jiang Travel Group's and Jin Jiang Travel's trade and other receivables which are denominated in currencies other than functional currency of the Jin Jiang Travel Group are as follows:

	The Jin Jiang Travel Group				Jin Jiang Travel			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Foreign currency								
USD	22,719	16,051	8,840	20,856	—	—	—	—
HKD	—	—	982	266	—	—	—	—

26. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

The cash equivalents carry market interest rates ranging from 0.0001% to 4.14%, 0.0001% to 2.25%, 0.0001% to 2.25% and 0.0001% to 2.25% per annum as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

The restricted cash carries market interest rates at 0.72%, 0.36%, 0.36% to 2.25% and 0.36% to 2.25% per annum as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. Restricted cash represents deposits placed in banks as quality assurance deposits for tourism and related business pursuant to the relevant regulations of the Shanghai Tourism Bureau.

The Jin Jiang Travel Group's restricted cash and cash and cash equivalents which are denominated in currencies other than functional currency of the Jin Jiang Travel Group are as follows:

	The Jin Jiang Travel Group				Jin Jiang Travel			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Foreign currency								
USD	2,577	5,980	5,738	10,039	138	199	199	204
EUR	740	750	7,057	1,970	—	—	—	—
JPY	601	693	98	273	—	—	—	—
HKD	52	811	809	1,062	—	—	—	—
AUD	3,714	2,550	1,764	1,552	—	—	—	—

27. TRADE AND OTHER PAYABLES

	NOTES	The Jin Jiang Travel Group				Jin Jiang Travel			
		As at 31 December			At 30 June	As at 31 December			At 30 June
		2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade payables									
— subsidiaries		—	—	—	—	9,349	10,620	13,208	15,992
— fellow subsidiaries		2,022	616	503	1,463	104	162	—	169
— associates of the Jin Jiang Travel Group		3,914	1,777	1,287	1,600	52	7	—	4
— third parties		91,627	60,284	63,188	73,706	2,378	691	414	1,290
	(a)	97,563	62,677	64,978	76,769	11,883	11,480	13,622	17,455
Other payables									
— subsidiaries		—	—	—	—	41,173	43,768	32,487	32,165
— Jin Jiang International		3,390	3,390	3,390	4,495	—	—	—	1,105
— fellow subsidiaries		4,287	2,593	1,688	1,396	4,287	2,568	859	364
— an associate of Jin Jiang International		—	813	886	858	—	813	813	808
— a jointly controlled entity of Jin Jiang International		—	545	545	—	—	—	—	—
— an associate of the Jin Jiang Travel Group		213	42	28	9	213	42	—	9
— third parties		33,876	25,507	22,437	18,791	7,895	7,471	6,883	5,443
	(b)	41,766	32,890	28,974	25,549	53,568	54,662	41,042	39,894
Dividends payables		—	—	—	26,511	—	—	—	26,511
Payroll and welfare payables		18,720	19,670	23,568	20,225	4,463	6,289	9,534	6,309
Other tax payables		1,170	1,632	2,510	1,903	137	559	1,370	340
Deposits received from customers for overseas tours	(c)	15,293	20,784	17,376	21,098	8,927	14,437	10,936	14,176
		174,512	137,653	137,406	172,055	78,978	87,427	76,504	104,685

Notes:

(a) Trade payables

The Jin Jiang Travel Group's and Jin Jiang Travel's trade payables principally comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit ranging from nil to 180 days from the time when the goods are received from or services are rendered by suppliers.

The aged analysis of the Jin Jiang Travel Group's and Jin Jiang Travel's trade payables as at the end of each reporting period are as follows:

	The Jin Jiang Travel Group				Jin Jiang Travel			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
0-90 days	25,119	21,264	31,036	44,094	10,695	10,332	12,259	15,709
91-180 days	43,466	16,565	13,577	13,070	1,188	1,148	1,363	1,746
181-365 days	28,978	24,848	20,365	19,605	—	—	—	—
	97,563	62,677	64,978	76,769	11,883	11,480	13,622	17,455

(b) Other payables

The Jin Jiang Travel Group's and Jin Jiang Travel's other payables at the end of each reporting period are interest-free, unsecured and repayable on demand.

(c) Deposits received from customers for overseas tours

The amounts represent deposits received from customers to secure their overseas tours, and will be paid back to customers when they have finished the trips and returned to China.

The Jin Jiang Travel Group's and Jin Jiang Travel's trade and other payables which are denominated in currencies other than functional currency of the Jin Jiang Travel Group are as follows:

	The Jin Jiang Travel Group				Jin Jiang Travel			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Foreign currency								
USD	5,091	10,180	14,690	12,451	—	—	—	—
EUR	—	632	140	1,791	—	—	—	—
JPY	473	4,920	4,205	6,690	—	—	—	—

28. SHARE CAPITAL

The details of Jin Jiang Travel's share capital as at 1 January 2007, 31 December 2007, 2008 and 2009 and 30 June 2010 are as follows:

	Number of shares	Share capital RMB'000
Ordinary shares of RMB1 each		
<i>Registered, issued and fully paid</i>		
As at 1 January 2007, 31 December 2007, 2008 and 2009 and 30 June 2010	<u>132,556,270</u>	<u>132,556</u>

29. RESERVES

The movements of Jin Jiang Travel's reserves during the Relevant Period are as follows:

	Share premium RMB'000	Other reserves RMB'000	Statutory surplus reserves RMB'000	Investment revaluation reserve RMB'000	Retained profits (accumulated deficits) RMB'000	Total RMB'000
At 1 January 2007	166,391	33,558	92,718	127,282	(532)	419,417
Profit for the year	—	—	—	—	31,146	31,146
Fair value gain on available-for-sale financial assets	—	—	—	879,746	—	879,746
Cumulative gain reclassified on disposal of available-for-sale financial assets	—	—	—	(8,938)	—	(8,938)
Effect of a change in tax rates	—	—	—	17,213	—	17,213
Income tax relating to fair value changes on available-for-sale financial assets	—	—	—	(219,937)	—	(219,937)
Income tax relating to reclassification adjustments for the cumulative gain upon disposal of available-for-sale financial assets	—	—	—	2,235	—	2,235
Total comprehensive income for the year	—	—	—	670,319	31,146	701,465
Transfer	—	—	3,223	—	(3,223)	—
Dividends recognised as distribution (note 13)	—	—	—	—	(15,907)	(15,907)
At 31 December 2007	166,391	33,558	95,941	797,601	11,484	1,104,975
Profit for the year	—	—	—	—	16,331	16,331
Fair value loss on available-for-sale financial assets	—	—	—	(765,710)	—	(765,710)
Income tax relating to fair value changes on available-for-sale financial assets	—	—	—	191,428	—	191,428
Total comprehensive income for the year	—	—	—	(574,282)	16,331	(557,951)
Transfer	—	—	1,779	—	(1,779)	—
Dividends recognised as distribution (note 13)	—	—	—	—	(26,511)	(26,511)
At 31 December 2008	166,391	33,558	97,720	223,319	(475)	520,513
Profit for the year	—	—	—	—	30,493	30,493
Fair value gain on available-for-sale financial assets	—	—	—	500,142	—	500,142
Cumulative gain reclassified on disposal of available-for-sale financial assets	—	—	—	(17,698)	—	(17,698)
Income tax relating to fair value changes on available-for-sale financial assets	—	—	—	(125,036)	—	(125,036)
Income tax relating to reclassification adjustments for the cumulative gain upon disposal of available-for-sale financial assets	—	—	—	4,425	—	4,425
Total comprehensive income for the year	—	—	—	361,833	30,493	392,326
Transfer	—	—	3,503	—	(3,503)	—
Dividends recognised as distribution (note 13)	—	—	—	—	(10,605)	(10,605)
At 31 December 2009	166,391	33,558	101,223	585,152	15,910	902,234
Profit for the period	—	—	—	—	41,864	41,864
Fair value loss on available-for-sale financial assets	—	—	—	(202,647)	—	(202,647)
Cumulative gain reclassified on disposal of available-for-sale financial assets	—	—	—	(11,411)	—	(11,411)
Income tax relating to fair value changes on available-for-sale financial assets	—	—	—	50,661	—	50,661
Income tax relating to reclassification adjustments for the cumulative gain upon disposal of available-for-sale financial assets	—	—	—	2,853	—	2,853
Total comprehensive income for the year	—	—	—	(160,544)	41,864	(118,680)
Dividends recognised as distribution (note 13)	—	—	—	—	(26,511)	(26,511)
At 30 June 2010	166,391	33,558	101,223	424,608	31,263	757,043

30. DISPOSAL OF SUBSIDIARIES

In January 2010, the Jin Jiang Travel Group disposed of its entire equity interests in Huate International Tourism and Huate Tour Guide Service to the non-controlling equity holders. The net assets of Huate International Tourism and Huate Tour Guide Service at the date of disposal were as follows:

	<i>RMB'000</i>
NET ASSETS DISPOSED OF	
Property, plant and equipment	57
Intangible assets	9
Other receivables	270
Inventories	21
Trade and other receivables	3,332
Cash and cash equivalents	6,160
Trade and other payables	(1,719)
Advance from customers	(2,792)
Income taxes payable	(19)
	<u>5,319</u>
Non-controlling interests	(3,203)
Gain on disposal	<u>521</u>
Total consideration satisfied by cash	<u><u>2,637</u></u>
Net cash outflow arising on disposal:	
Cash consideration	2,637
Cash and cash equivalents disposed of	<u>(6,160)</u>
	<u><u>(3,523)</u></u>

31. OPERATING LEASES

The Jin Jiang Travel Group as lessee	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Minimum lease payments paid under operating leases in respect of office premises during the year/period	<u>4,810</u>	<u>3,364</u>	<u>5,170</u>	<u>2,449</u>	<u>2,641</u>

At the end of each reporting period, the Jin Jiang Travel Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Within one year	3,345	2,394	2,628	4,000
In the second to fifth year inclusive	1,895	1,169	879	1,958
After five years	<u>1,662</u>	<u>1,889</u>	<u>1,600</u>	<u>1,473</u>
	<u>6,902</u>	<u>5,452</u>	<u>5,107</u>	<u>7,431</u>

At the end of each reporting period, Jin Jiang Travel had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Within one year	1,358	739	794	1,162
In the second to fifth year inclusive	<u>458</u>	<u>280</u>	<u>62</u>	<u>62</u>
	<u>1,816</u>	<u>1,019</u>	<u>856</u>	<u>1,224</u>

Operating lease payments represent rentals payable by the Jin Jiang Travel Group for the Jin Jiang Travel Group's office premises. Leases are negotiated for lease terms ranging from one to twelve years at inception.

The Jin Jiang Travel Group as lessor	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Property rental income earned during the year/period	<u>15,534</u>	<u>15,817</u>	<u>15,316</u>	<u>7,518</u>	<u>7,380</u>

(Unaudited)

All of the properties held have committed tenants for one to five years at inception.

At the end of each reporting period, the Jin Jiang Travel Group and Jin Jiang Travel had contracted with tenants for the following future minimum lease payments:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
Within one year	8,103	7,723	7,362	10,040
In the second to fifth year inclusive	2,781	1,776	2,658	4,420
After five years	<u>—</u>	<u>5</u>	<u>—</u>	<u>—</u>
	<u>10,884</u>	<u>9,504</u>	<u>10,020</u>	<u>14,460</u>

32. RETIREMENT BENEFITS SCHEME

The employees of the Jin Jiang Travel Group are members of the state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Jin Jiang Travel Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Jin Jiang Travel Group in respect of the retirement benefit scheme during each year/period over the Relevant Period are disclosed in note 11.

33. RELATED PARTY TRANSACTIONS

Jin Jiang Travel is ultimately controlled by the PRC government and the Jin Jiang Travel Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government (“government-related entities”). In addition, the Jin Jiang Travel Group itself is part of a larger group of companies under Jin Jiang International which is controlled by the PRC government.

Apart from the transactions with Jin Jiang International and fellow subsidiaries and other related parties disclosed below, the Jin Jiang Travel Group also conducts business with other government-related entities. The directors consider those government-related entities to be independent third parties so far as the Group’s business transactions with them are concerned.

(a) Related parties of Jin Jiang Travel

The directors of Jin Jiang Travel consider that the following entities are related parties of the Jin Jiang Travel Group:

Name of related party	Relationship with Jin Jiang Travel
Jin Jiang International	Ultimate holding company
Jin Jiang International Hotels	Fellow subsidiary
上海錦江汽車服務有限公司 (Shanghai Jin Jiang Auto Service Co., Ltd. *) (“Jin Jiang Auto Service”)	Fellow subsidiary
上海錦佳汽車貿易有限公司 (Shanghai Jinjia Auto Trading Co., Ltd. *) (“Jinjia Auto Trading”)	Fellow subsidiary
上海和平飯店有限公司 (Shanghai Peace Hotel Co., Ltd. *) (“Shanghai Peace Hotel”)	Fellow subsidiary
上海錦江國際酒店(集團)股份有限公司新錦江大酒店 (Shanghai Jin Jiang International Hotels (Group) Company Limited Jin Jiang Tower*) (“Shanghai Jin Jiang Tower”)	Fellow subsidiary

Name of related party	Relationship with Jin Jiang Travel
上海錦江國際JTB會展有限公司 (JTB Jin Jiang International EC Co., Ltd. *) ("JTB International EC")	Jointly controlled entity of Jin Jiang International
上海錦江國際HRG商務旅行有限公司 (HRG Jin Jiang Travel (China) Co., Ltd. *) ("HRG Travel")	Associate of Jin Jiang International
匯通百達網絡科技(上海)有限公司 (Hubsl Interactive (Shanghai) Co., Ltd. *) ("Hubsl Interactive")	Jointly controlled entity of subsidiary of Jin Jiang International
Other subsidiaries of Jin Jiang International	Fellow subsidiaries
Directors and other senior management	Directors and key management

* The English names are for identification purpose only

(b) Related party transactions

The Jin Jiang Travel Group has the following related party transactions during the Relevant Period:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Rendering tourism and related services to:					
— fellow subsidiaries	766	82	73	—	124
— a jointly controlled entity of Jin Jiang International	—	1,256	1,243	—	61
— associates of the Jin Jiang Travel Group	<u>308</u>	<u>357</u>	<u>956</u>	<u>304</u>	<u>461</u>
	<u>1,074</u>	<u>1,695</u>	<u>2,272</u>	<u>304</u>	<u>646</u>
Receiving tourism and related services from:					
— fellow subsidiaries	6,636	4,784	3,504	1,566	2,749
— associates of the Jin Jiang Travel Group	<u>15,991</u>	<u>12,325</u>	<u>7,436</u>	<u>589</u>	<u>4,243</u>
	<u>22,627</u>	<u>17,109</u>	<u>10,940</u>	<u>2,155</u>	<u>6,992</u>
Receiving property management services from:					
— an associate of the Jin Jiang Travel Group	<u>1,076</u>	<u>809</u>	<u>893</u>	<u>405</u>	<u>405</u>

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Purchase of property, plant and equipment from:					
— a fellow subsidiary	4,240	1,733	—	—	370
Sale of car licenses to:					
— an associate of the Jin Jiang Travel Group	1,200	—	—	—	—
Providing property management services to:					
— an associate of Jin Jiang International	—	448	652	230	883
— a jointly controlled entity of Jin Jiang International	—	119	141	68	272
— a jointly controlled entity of a fellow subsidiary	—	741	824	394	647
	—	1,308	1,617	692	1,802
Leasing to:					
— an associate of Jin Jiang International	—	1,287	1,114	653	461
— a jointly controlled entity of Jin Jiang International	—	328	387	—	649
— a jointly controlled entity of a fellow subsidiary	—	1,529	1,689	927	972
	—	3,144	3,190	1,580	2,082
Leasing from:					
— Jin Jiang International	—	687	685	43	343
— fellow subsidiaries	1,365	769	2,414	1,494	1,482
— an associate of the Jin Jiang Travel Group	—	—	—	—	42
	1,365	1,456	3,099	1,537	1,867

- (c) The loan to a subsidiary was unsecured and carried interest at a rate of 6.3% per annum as at 31 December 2007 and 2008 and 5.4% per annum as at 31 December 2009 and 30 June 2010. It was for a term of three years and, as at 30 June 2010, will expire on 26 October 2012.

Apart from the transactions disclosed above, the Jin Jiang Travel Group has entered into various transactions, including deposits placements, with banks which are government-related entities. A majority of its bank deposits are with government-related entities

In view of the nature of the Group's tourism and related business, the directors are of the opinion that, except as disclosed above, it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions are with other government-related entities.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Period were as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Short-term benefits	2,134	2,037	2,250	697	704
Post-employment benefits	<u>381</u>	<u>563</u>	<u>305</u>	<u>86</u>	<u>146</u>
	<u>2,515</u>	<u>2,600</u>	<u>2,555</u>	<u>783</u>	<u>850</u>

II. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements of Jin Jiang Travel and its subsidiaries have been prepared in respect of any period subsequent to 30 June 2010.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

The following is an illustrative and unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and unaudited pro forma consolidated statement of cash flows of the Enlarged Group which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisitions, as if the Acquisitions had taken place on 30 June 2010 for the unaudited pro forma consolidated balance sheet and as if the Acquisitions had taken place on 1 January 2009 for the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows.

This unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, results and cash flow of the Enlarged Group had the Acquisitions been completed as at 30 June 2010 or 1 January 2009, where appropriate, or at any future dates.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2010

	Pro forma adjustments				Unaudited pro forma consolidated balance sheet of the Enlarged Group RMB'000
	Unaudited consolidated balance sheet of the Group as at 30 June 2010 RMB'000 <i>Note 1</i>	Audited consolidated balance sheet of Jin Jiang Investment Group as at 30 June 2010 RMB'000 <i>Note 3</i>	Audited consolidated balance sheet of Jin Jiang Travel Group as at 30 June 2010 RMB'000 <i>Note 4</i>	Other pro forma adjustments RMB'000 <i>Note 5</i>	
ASSETS					
Non-current assets					
Property, plant and equipment	6,606,818	1,103,432	69,172	—	7,779,422
Investment property	4,808	23,292	170,711	—	198,811
Land use rights	1,099,479	127,898	110	—	1,227,487
Intangible assets	471,882	263,093	35	—	735,010
Investments in associates	287,003	223,762	62,751	(26,636) <i>(f)</i>	546,880
Available-for-sale financial assets	1,796,892	208,168	688,303	(132,541) <i>(b)</i>	2,560,822
Deferred income tax assets	51,353	2,063	2,500	—	55,916
Trade and other receivables	10,660	27,271	4,355	—	42,286
	<u>10,328,895</u>	<u>1,978,979</u>	<u>997,937</u>	<u>(159,177)</u>	<u>13,146,634</u>
Current assets					
Available-for-sale financial assets	84,886	16,555	—	—	101,441
Inventories	70,828	54,792	2,739	—	128,359
Trade and other receivables	531,137	415,739	203,013	(11,299) <i>(d)(g)</i>	1,138,590
Restricted cash	228,835	9,874	4,635	—	243,344
Cash and cash equivalents	1,395,864	774,787	375,845	(772,909) <i>(a)</i>	1,773,587
	<u>2,311,550</u>	<u>1,271,747</u>	<u>586,232</u>	<u>(784,208)</u>	<u>3,385,321</u>
Total assets	<u>12,640,445</u>	<u>3,250,726</u>	<u>1,584,169</u>	<u>(943,385)</u>	<u>16,531,955</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	Unaudited consolidated balance sheet of the Group as at 30 June 2010 <i>RMB'000</i> <i>Note 1</i>	Audited consolidated balance sheet of Jin Jiang Investment Group as at 30 June 2010 <i>RMB'000</i> <i>Note 3</i>	Pro forma adjustments		Unaudited pro forma consolidated balance sheet of the Enlarged Group <i>RMB'000</i>
			Audited consolidated balance sheet of Jin Jiang Travel Group as at 30 June 2010 <i>RMB'000</i> <i>Note 4</i>	Other pro forma adjustments <i>RMB'000</i> <i>Note 5</i>	
EQUITY					
Capital and reserves attributable to the shareholders of the Company					
Share capital	4,565,000	551,610	132,556	316,834	(a)(b)(c) 5,566,000
Reserves	1,885,868	1,374,927	845,326	(2,832,173)	(a)(b)(c)(e) 1,273,948
	6,450,868	1,926,537	977,882	(2,515,339)	6,839,948
Non-controlling interests	2,133,159	180,782	4,876	1,597,967	(b)(c)(f) 3,916,784
Total equity	8,584,027	2,107,319	982,758	(917,372)	10,756,732
LIABILITIES					
Non-current liabilities					
Borrowings	1,531,376	—	—	—	1,531,376
Deferred income tax liabilities	445,368	23,834	147,490	(24,714)	(b) 591,978
Trade and other payables	11,707	—	—	—	11,707
Other non-current liabilities	—	49,149	—	—	49,149
	1,988,451	72,983	147,490	(24,714)	2,184,210
Current liabilities					
Trade and other payables	1,427,310	824,447	421,245	2,681	(e)(g) 2,675,683
Dividend payable	91,300	187,352	26,511	(3,980)	(d) 301,183
Income tax payable	56,703	27,982	6,165	—	90,850
Borrowings	492,654	30,643	—	—	523,297
	2,067,967	1,070,424	453,921	(1,299)	3,591,013
Total liabilities	4,056,418	1,143,407	601,411	(26,013)	5,775,223
Total equity and liabilities	12,640,445	3,250,726	1,584,169	(943,385)	16,531,955
Net current assets	243,583	201,323	132,311	(782,909)	(205,692)
Total assets less current liabilities	10,572,478	2,180,302	1,130,248	(942,086)	12,940,942

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT FOR THE
YEAR ENDED 31 DECEMBER 2009**

	Audited consolidated income statement of the Group for the year ended 31 December 2009 <i>RMB'000</i> <i>Note 2</i>	Audited consolidated income statement of Jin Jiang Investment Group for the year ended 31 December 2009 <i>RMB'000</i> <i>Note 3</i>	Pro forma adjustments Audited consolidated income statement of Jin Jiang Travel Group for the year ended 31 December 2009 <i>RMB'000</i> <i>Note 4</i>	Other pro forma adjustments <i>RMB'000</i>	<i>Note 5</i>	Unaudited pro forma consolidated income statement of the Enlarged Group <i>RMB'000</i>
Turnover	3,320,723	2,542,985	1,599,917	(17,782)	<i>(m)</i>	7,445,843
Cost of sales	<u>(2,518,113)</u>	<u>(1,992,838)</u>	<u>(1,438,958)</u>	<u>17,782</u>	<i>(m)</i>	<u>(5,932,127)</u>
Gross profit	<u>802,610</u>	<u>550,147</u>	<u>160,959</u>	<u>—</u>		<u>1,513,716</u>
Other income	344,359	109,209	36,307	(8,824)	<i>(j)(k)(l)</i>	481,051
Selling and marketing expenses	(140,920)	(200,115)	(94,591)	—		(435,626)
Administrative expenses	(640,080)	(169,882)	(61,315)	(2,869)	<i>(e)</i>	(874,146)
Other expenses	<u>(24,952)</u>	<u>(284)</u>	<u>(235)</u>	<u>—</u>		<u>(25,471)</u>
Operating profit	<u>341,017</u>	<u>289,075</u>	<u>41,125</u>	<u>(11,693)</u>		<u>659,524</u>
Finance costs	(35,074)	(1,322)	—	—		(36,396)
Share of results of associates	<u>65,376</u>	<u>74,789</u>	<u>5,450</u>	<u>(3,867)</u>	<i>(f)</i>	<u>141,748</u>
Profit before income tax	<u>371,319</u>	<u>362,542</u>	<u>46,575</u>	<u>(15,560)</u>		<u>764,876</u>
Income tax expense	<u>(86,618)</u>	<u>(47,700)</u>	<u>(7,216)</u>	<u>574</u>	<i>(o)</i>	<u>(140,960)</u>
Profit for the year	<u><u>284,701</u></u>	<u><u>314,842</u></u>	<u><u>39,359</u></u>	<u><u>(14,986)</u></u>		<u><u>623,916</u></u>
Attributable to:						
Shareholders of the Company	118,869	274,142	38,983	(192,424)	<i>(e)(h)(i)(j)(k)(l)(o)</i>	239,570
Non-controlling interests	<u>165,832</u>	<u>40,700</u>	<u>376</u>	<u>177,438</u>	<i>(f)(h)(i)</i>	<u>384,346</u>
	<u><u>284,701</u></u>	<u><u>314,842</u></u>	<u><u>39,359</u></u>	<u><u>(14,986)</u></u>		<u><u>623,916</u></u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS FOR
THE YEAR ENDED 31 DECEMBER 2009**

	Pro forma adjustments					Unaudited pro forma consolidated statement of cash flows of the Enlarged Group RMB'000
	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2009 RMB'000 Note 2	Audited consolidated statement of cash flows of Jin Jiang Investment Group for the year ended 31 December 2009 RMB'000 Note 3	Audited consolidated statement of cash flows of Jin Jiang Travel Group for the year ended 31 December 2009 RMB'000 Note 4	Other pro forma adjustments RMB'000 Note 5		
Cash flows from operating activities:						
Cash generated from operations	704,103	458,541	15,816	(10,000)	(e)	1,168,460
Interest paid	(35,884)	—	—	—		(35,884)
Income tax paid	(107,482)	(46,883)	(9,635)	574	(o)	(163,426)
Net cash generated from operating activities	<u>560,737</u>	<u>411,658</u>	<u>6,181</u>	<u>(9,426)</u>		<u>969,150</u>
Cash flows from investing activities:						
Proceeds from disposal of property, plant and equipment	18,707	71,013	282	—		90,002
Proceeds from disposal of investments in associates	193,762	—	—	—		193,762
Proceeds from disposal of an investment in Shanghai Jiu Long Hotel Company Limited ("Jiu Long Hotel")	15,431	—	—	—		15,431
Proceeds from disposal of available-for-sale financial assets other than investment in Jiu Long Hotel	107,028	29,197	18,887	(9,018)	(k)(l)	146,094
Proceeds on disposal of subsidiaries	—	9,419	—	—		9,419
Purchase of property, plant and equipment	(866,088)	(327,113)	(5,726)	—		(1,198,927)
Purchase of land use rights	(21,631)	—	—	—		(21,631)
Purchase of intangible assets	(3,669)	(81,510)	(98)	—		(85,277)
Purchase of available-for-sale financial assets	(196,243)	—	(20,000)	—		(216,243)
Loans advanced to related parties	(1,720)	—	—	—		(1,720)
Loan repayments received from related parties	43,630	4,230	—	—		47,860
Interest received	9,357	11,183	4,181	—		24,721
Dividends received	157,452	111,598	13,417	(4,665)	(j)(k)	277,802
Increase in investments in associates	(716)	—	—	—		(716)
Acquisition of subsidiaries, net of cash acquired	(96,157)	—	—	—		(96,157)
Acquisition of Jin Jiang Investment and Jin Jiang Travel	—	—	—	(772,909)	(a)	(772,909)
Acquisition of a jointly controlled entity, net of cash acquired	(5,687)	—	—	—		(5,687)
Net cash used in investing activities	<u>(646,544)</u>	<u>(171,983)</u>	<u>10,943</u>	<u>(786,592)</u>		<u>(1,594,176)</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	Pro forma adjustments				Unaudited pro forma consolidated statement of cash flows of the Enlarged Group RMB'000
	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2009 RMB'000 Note 2	Audited consolidated statement of cash flows of Jin Jiang Investment Group for the year ended 31 December 2009 RMB'000 Note 3	Audited consolidated statement of cash flows of Jin Jiang Travel Group for the year ended 31 December 2009 RMB'000 Note 4	Other pro forma adjustments RMB'000 Note 5	
Cash flows from financing activities:					
Capital contribution from non-controlling interests	2,450	—	—	—	2,450
Proceeds from borrowings	997,960	—	—	—	997,960
Repayments of borrowings	(587,090)	(30,000)	—	—	(617,090)
Dividends paid to non-controlling interests	(124,959)	(57,945)	(528)	(102,791) (k)(n)	(286,223)
Increase in deposits from related parties	8,135	—	—	—	8,135
Dividends paid to shareholders of the Company	(95,865)	(165,952)	(10,605)	176,557 (j)(n)	(95,865)
Interest paid	—	(1,322)	—	—	(1,322)
Acquisition of equity interests in subsidiaries from non-controlling interests	—	(54,120)	(77)	8,560 (k)	(45,637)
Proceeds from disposal of non-controlling interests	—	—	—	458 (l)	458
Deposit pledged for borrowings	(299,306)	—	—	—	(299,306)
Net cash used in financing activities	<u>(98,675)</u>	<u>(309,339)</u>	<u>(11,210)</u>	<u>82,784</u>	<u>(336,440)</u>
Decrease in cash and cash equivalents	(184,482)	(69,664)	5,914	(713,234)	(961,466)
Cash and cash equivalents at beginning of the year	1,644,962	743,640	338,418	—	2,727,020
Exchange losses on cash and cash equivalents	(99)	—	—	—	(99)
Cash and cash equivalents at end of the year	<u><u>1,460,381</u></u>	<u><u>673,976</u></u>	<u><u>344,332</u></u>	<u><u>(713,234)</u></u>	<u><u>1,765,455</u></u>

NOTES TO THE UNAUDITED PRO FORMA INFORMATION:

1. The balances are extracted without adjustment from the unaudited condensed consolidated interim financial statements of the Group as at 30 June 2010 as incorporated by reference in Appendix I of this circular.
2. The amounts are extracted without adjustment from the audited consolidated financial statements of the Group for the year ended 31 December 2009 as incorporated by reference in Appendix I of this circular.
3. The amounts are derived from the financial information included in the accountant's report of Jin Jiang Investment Group as set out in Appendix IIA of the circular.

Although Jin Jiang International and its affiliates holds less than half of the equity interest in Jin Jiang Investment and therefore has less than half of its voting rights, the Directors conclude that Jin Jiang International has de facto control over Jin Jiang Investment after taking into consideration, among other things; (i) the dispersed shareholder structure excluding those interests held by Jin Jiang International and its affiliated companies; (ii) the amount of additional interest in Jin Jiang Investment required to be acquired by the Group so as to obtain the rights to govern financial and operating policies; (iii) the ability to demonstrate effective control during the shareholders' meetings and board meetings; and (iv) the extent of involvement of directors of Jin Jiang Investment nominated by Jin Jiang International in its operational and financial policy setting and decision making. Hence, the Directors conclude that Jin Jiang Investment and the Group are under common control by Jin Jiang International. It is assumed that the Company will continue to be able to demonstrate de facto control on Jin Jiang Investment after the Acquisitions, hence, will consolidate Jin Jiang Investment after the Acquisitions.

The Group will apply merger accounting to account for the combination of the financial position, results and cash flows of Jin Jiang Investment Group as if the combination had occurred from the date when the Group and Jin Jiang Investment Group came under the common control of Jin Jiang International.

4. The amounts are derived from the financial information included in the accountant's report of Jin Jiang Travel Group as set out in Appendix IIB of the circular.

The Group will apply merger accounting to account for the combination of the financial position, results and cash flows of Jin Jiang Travel Group as if the combination had occurred from the date when the Group and Jin Jiang Travel Group came under the common control of Jin Jiang International.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
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5. The other pro forma adjustments reflect the following:

(i) On consolidated balance sheet (in RMB'000)

Reference to notes below	a	b	c	d	e	f	g	Total
Available-for-sale financial assets	—	(132,541)	—	—	—	—	—	(132,541)
Investments in associates	—	—	—	—	—	(26,636)	—	(26,636)
Trade and other receivables	—	—	—	(3,980)	—	—	(7,319)	(11,299)
Cash and cash equivalents	(772,909)	—	—	—	—	—	—	(772,909)
Share capital	1,001,000	(551,610)	(132,556)	—	—	—	—	316,834
Reserves	920,111	(2,775,154)	(967,130)	—	(10,000)	—	—	(2,832,173)
Non-controlling interests	—	1,137,716	486,887	—	—	(26,636)	—	1,597,967
Deferred income tax liabilities	—	(24,714)	—	—	—	—	—	(24,714)
Trade and other payables	—	—	—	—	10,000	—	(7,319)	2,681
Dividends payable	—	—	—	(3,980)	—	—	—	(3,980)

(ii) On consolidated income statement (in RMB'000)

Reference to notes below	e	f	h	i	j	k	l	m	o	Total
Turnover	—	—	—	—	—	—	—	(17,782)	—	(17,782)
Cost of sales	—	—	—	—	—	—	—	17,782	—	17,782
Other income	—	—	—	—	(3,980)	(4,490)	(354)	—	—	(8,824)
Administrative expenses	(2,869)	—	—	—	—	—	—	—	—	(2,869)
Share of results of associates	—	(3,867)	—	—	—	—	—	—	—	(3,867)
Income tax expense	—	—	—	—	—	—	—	—	574	574
Profit for the year attributable to:										
Shareholders of the Company	(2,869)	—	(161,895)	(19,410)	(3,980)	(4,490)	(354)	—	574	(192,424)
Non-controlling interests	—	(3,867)	161,895	19,410	—	—	—	—	—	177,438

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OF THE ENLARGED GROUP**

(iii) On consolidated statement of cash flows (in RMB'000)

Reference to notes below	a	e	j	k	l	n	o	Total
Cash generated from operations	—	(10,000)	—	—	—	—	—	(10,000)
Income tax paid	—	—	—	—	—	—	574	574
Proceeds from disposal of available-for-sale financial assets other than investment in Jiu Long Hotel	—	—	—	(8,560)	(458)	—	—	(9,018)
Dividends received	—	—	(3,980)	(685)	—	—	—	(4,665)
Acquisition of Jin Jiang Investment and Jin Jiang Travel	(772,909)	—	—	—	—	—	—	(772,909)
Dividends paid to non- controlling interests	—	—	—	685	—	(103,476)	—	(102,791)
Dividends paid to shareholders of the Company	—	—	3,980	—	—	172,577	—	176,557
Acquisition of equity interests in subsidiaries from non- controlling interests	—	—	—	8,560	—	—	—	8,560
Proceeds from disposal of non- controlling interests	—	—	—	—	458	—	—	458

- a. The acquisition of equity interests in Jin Jiang Investment and Jin Jiang Travel is settled by the consideration by issue of approximately 1,001 million Domestic Shares and cash payment of approximately RMB772.9 million to Jin Jiang International. For the purpose of this pro forma information, the fair value of each Domestic Share is assumed to be HK\$2.20 (i.e. RMB1.919192 per Domestic Share, taking an exchange rate of HK\$1.00 = RMB0.87236), which was determined based on the Company's share price quoted on the Stock Exchange for the trading days of the H Shares of the Company in the 12 months prior to and including 30 July 2010, being the last trading day before the date on which the Share Transfer Agreement was signed. On this basis, the Domestic Share will increase share capital by approximately RMB1,001.0 million with related share premium of approximately RMB920.1 million.
- b. Elimination of investment in Jin Jiang Investment as at 30 June 2010 against share capital of Jin Jiang Investment Group, reserves and retained earnings attributable to non-controlling interests, and merger reserve; and elimination of the equity interests in Jin Jiang Investment held by the Group and Jin Jiang Travel Group, which was recorded as available-for-sale financial assets at fair value before the Acquisitions, and together with the deferred income tax liabilities and related reserve from changes in fair value, net of tax, of the available-for-sale financial assets.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

- c. Elimination of investment in Jin Jiang Travel as at 30 June 2010 against share capital of Jin Jiang Travel Group, reserves and retained earnings attributable to non-controlling interests, and merger reserve.
- d. Elimination of the dividend payable of Jin Jiang Investment Group as at 30 June 2010 against the dividends receivable in connection with the equity interests in Jin Jiang Investment held by the Group and Jin Jiang Travel Group before the Acquisitions.
- e. Estimated transaction cost in relation to the Acquisitions is RMB10.0 million. RMB7.1 million is estimated directly attributable to the issue of Domestic Share, which is deducted from the share premium of reserve, and the remaining cost directly attributable to the Acquisitions of RMB2.9 million are charged to the income statement.
- f. Elimination of the non-controlling interests held by Jin Jiang Travel Group in one subsidiary of Jin Jiang Investment, together with the elimination of the share of results in Jin Jiang Travel Group.
- g. Elimination of intercompany balances among the Group, Jin Jiang Investment Group and Jin Jiang Travel Group.
- h. Account for profits attributable to non-controlling interests of Jin Jiang Investment Group.
- i. Account for profits attributable to non-controlling interests of Jin Jiang Travel Group.
- j. Elimination of the dividend income for the year ended 31 December 2008 in connection with the equity interests in Jin Jiang Investment held by the Group and Jin Jiang Travel Group before the Acquisitions; and elimination of the related dividends received in the statements of cash flow.
- k. Elimination of the Group's gain of RMB3.8 million arising from the disposal of available-for-sale financial assets, which was controlled by Jin Jiang Investment Group before and after the disposal, to Jin Jiang Investment in 2009, with the total proceeds of RMB8.6 million, together with the elimination of the dividend income received from such available-for-sale financial assets by the Group before the disposal amounting RMB0.7 million.
- l. Elimination of Jin Jiang Travel Group's gain of RMB0.4 million arising from the partial disposal of the equity interests in Jin Jiang Investment, together with the proceeds of RMB0.5 million.
- m. Elimination of intercompany transactions among the Group, Jin Jiang Investment Group and Jin Jiang Travel Group.

- n. Elimination of the dividends amounting to RMB69.1 million paid by Jin Jiang Investment Group and Jin Jiang Travel Group for the year ended 31 December 2008 in connection with the equity interests in Jin Jiang Investment Jin Jiang Travel held by Jin Jiang International, that was assumed to be paid to the Group in 2009 had the Acquisitions been completed on 1 January 2009, and together with the reclassification of the remaining dividends amounting to RMB103.5 million paid by Jin Jiang Investment Group and Jin Jiang Travel Group for the year ended 31 December 2008 as dividends paid to non-controlling interests.
 - o. Adjustment on the current income tax effect from the other pro forma adjustments.
6. No adjustment has been made to reflect any trading result or other transaction of the Group, Jin Jiang Investment Group or Jin Jiang Travel Group entered into subsequent to 30 June 2010 for the unaudited pro forma consolidated balance sheet or 31 December 2009 for the unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of cash flows. HKFRS 3 (revised) was applied to the Group's acquisition of IHR jointly with Thayer Group, which was completed on 18 March 2010. For the year ended 31 December 2009, the Group incurred acquisition costs of RMB36.7 million in connection with the acquisition of IHR which was completed subsequent to 1 January 2010. As HKFRS 3 (revised) was not early adopted in 2009, the acquisition costs were capitalised under HKFRS 3 for the year ended 31 December 2009, but will be expensed retrospectively upon adoption of HKFRS 3 (revised) in the consolidated financial statement of the Group for the year ending 31 December 2010. The retrospective restatement of the consolidated income statement of the Group for the year ended 31 December 2009 as a result of the adoption of HKFRS 3 (revised) is not reflected in the unaudited pro forma consolidated income statement for the year ended 31 December 2009.
7. Pro forma adjustments set out in Notes 5(f), 5(g), 5(h), 5(i), 5(j), 5(m), 5(n) and 5(o) above are expected to have continuing effect on the consolidated income statement and cash flow statement of the Enlarged Group.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

**ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION TO THE DIRECTORS OF SHANGHAI JIN JIANG
INTERNATIONAL HOTELS (GROUP) COMPANY LIMITED**

We report on the unaudited pro forma financial information set out on pages 311 to 320 under the heading of “Unaudited Pro Forma Financial Information of the Enlarged Group” (the “Unaudited Pro Forma Financial Information”) in Appendix III of the circular dated 30 September 2010 (the “Circular”) of Shanghai Jin Jiang International Hotels (Group) Company Limited (the “Company”), in connection with the proposed acquisition (the “Acquisitions”) of 38.54% equity interest in Shanghai Jin Jiang International Industrial Investment Co., Ltd. (“Jin Jiang Investment”) and 50.21% equity interest in Shanghai Jinjiang International Travel Co., Ltd. (“Jin Jiang Travel”) involving issue of new domestic shares to Jin Jiang International Holdings Company Limited (“Jin Jiang International”). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisitions might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 311 to 320 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted unaudited consolidated balance sheet of the Group as at 30 June 2010 and unadjusted audited consolidated income statement and consolidated statement of cash flows of the Group for the year ended 31 December 2009 with the published unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2010, and the audited consolidated financial statements of the Group for the year ended 31 December 2009 respectively, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2010 or any future date, or
- the results and cash flows of the Group for the year ended 31 December 2009 or any future periods.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 September 2010

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors, Supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange in accordance with Divisions 7 and 8 of Part XV of the SFO (including any interests an short positions they have or deemed to have pursuant to the relevant provisions of the SFO), or required to be kept in the register under Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code, were as follows:

Interests in the shares in Jin Jiang Hotels Development, an associated corporation of the Company

Name	Equity interest in Jin Jiang Hotels Development	Nature of interests	Capacity	Approximate percentage in total share capital of Jin Jiang Hotels Development
Mr. Yu Minliang	14,305	Long position	Beneficial owner	0.0024%
Mr. Yang Weimin	497,339	Long position	Beneficial owner	0.0824%
Mr. Chen Hao	497,399	Long position	Beneficial owner	0.0825%
Mr. Xu Zurong	700,020	Long position	Beneficial owner	0.1160%

As at the Latest Practicable Date, Mr. Yu Minliang (executive Director) is the chairman of Jin Jiang International, Mr. Shen Maoxing (non-executive Director) is a vice chairman and the president of Jin Jiang International and the chairman of Jin Jiang Investment (a subsidiary of Jin Jiang International) and Jin Jiang International HK (a subsidiary of Jin Jiang International), respectively and Ms. Chen Wenjun (executive Director) is a senior vice president of Jin Jiang International, a director of Jin Jiang Investment (a subsidiary of Jin Jiang International) and Jin Jiang International HK (a subsidiary of Jin Jiang International), respectively and the chairman of Shanghai Jin Jiang International Investment and Management Company Limited (a subsidiary of Jin Jiang International). Jin Jiang International was a

company having, as at the Latest Practicable Date, an interest or short position in the Company's shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, to the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors, Supervisors and the chief executive of the Company and their respective associates have interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange in accordance with Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions they have or deemed to have pursuant to the relevant provisions of the SFO), or required to be kept in the register under Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code.

3. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors or Supervisors has entered into any service contract with any member of the Enlarged Group which is not expiring or determinable by such member of the Enlarged Group within one year without any payment of compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business, which competes or may compete with the business of the Group.

5. INTERESTS IN THE ENLARGED GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP

Save as disclosed in the announcement of the Company dated 21 June 2010 which referred to the acquisition of an aggregate of 5.079% equity interest in Jin Jiang Inn by Jin Jiang Hotels Development from 9 individuals who are either directors, supervisors or chief executives of the Company or a subsidiary of the Company at a consideration of RMB76,627,204.88, as at the Latest Practicable Date, none of the Directors, Supervisors, proposed Directors or proposed Supervisors had any direct or indirect interest in any assets which have been, since 31 December 2009 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Enlarged Group.

6. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular:

- (i) a Shanghai assets and equity transaction contract regarding 9.45% equity interest of Shanghai Jiulong Hotels Co., Ltd. (“Jiulong Hotels”) dated 18 December 2008 entered into between the Company and Shanghai Lvdi Business (Group) Co., Ltd., (“Shanghai Lvdi”), and their respective agents (Shanghai Jin Jiang International Industrial Development Co., Ltd. (“Jin Jiang Industrial Development”) and Shanghai Yima Enterprise Planning Co., Ltd.) regarding the disposal of a 9.45% equity interest in Jiulong Hotels from the Company to Shanghai Lvdi at a consideration of RMB29,941,000;
- (ii) an equity transfer agreement of Shanghai New Asia Café de Coral Food and Beverage Co., Ltd. (“New Asia Café de Coral”) dated 9 February 2009 entered into between Grand Regent China Limited (“Grand Regent”) and Shanghai Jin Jiang International Food and Beverage Investment Management Co., Ltd. (“Jin Jiang Food and Beverage”) regarding the disposal of a 25% equity interest in New Asia Café de Coral from Grand Regent to Jin Jiang Food and Beverage at a consideration of RMB12,272,028.26;
- (iii) a Shanghai assets and equity transaction contract dated 11 March 2009 entered into between Shanghai Wujing Lengchang Co., Ltd. (“Wujing Lengchang”) and Haitong Food Group Shanghai Co., Ltd. (“Haitong Food”), and their respective agents (Jin Jiang Industrial Development and Shanghai Gubei Property Rights Agency Co., Ltd. (“Gubei Agency”)) regarding the disposal of a 50% equity interest in Shanghai Rileng Food Co., Ltd. from Wujing Lengchang to Haitong Food at a consideration of RMB14,000,000;
- (iv) a Shanghai assets and equity transaction contract dated 26 March 2009 entered into between Jin Jiang Hotels Development, Heng Rui (Shanghai) Investment Holding Limited (“Heng Rui Investment”) and Shanghai Shenkai Investment Limited (“Shenkai Investment”), and their respective agents (Jin Jiang Industrial Development for the first company and Gubei Agency for the last two companies) regarding the disposal of 35% and 10% equity interests in Shanghai Zhongya Hotel from Jin Jiang Hotels Development to Heng Rui Investment and Shenkai Investment respectively at a consideration of RMB119,820,000;

- (v) a 7% equity transfer agreement of Shanghai Kentucky Fried Chicken Company Limited (“Shanghai KFC”) dated 28 April 2009 entered into between Jin Jiang Hotels Development and YUM! Restaurants (China) Investment Company Limited (“YUM! Restaurants”) regarding the disposal of a 7% equity interest in Shanghai KFC by Jin Jiang Hotels Development to YUM! Restaurants at a consideration of RMB80,008,670;
- (vi) an equity transfer agreement dated 30 May 2009 entered into between Jin Jiang International HK and Shanghai Jin Jiang International Hotels Group (HK) Company Limited (“Jin Jiang Hotels (HK)”) regarding the disposal of all of the equity interest in Jing An Bakery Holding Co., Limited (“Jing An Holding”) by Jin Jiang International HK to Jin Jiang Hotels (HK) at a cash consideration of RMB15,350,000;
- (vii) an equity transfer agreement of Shanghai Jin Jiang Public Transportation Co., Ltd. (“Jin Jiang Public Transportation”) dated 31 May 2009 entered into between Shanghai Jin Jiang Automobile Services Co., Ltd. (“Jin Jiang Automobile Services”), Shanghai Pudong Youyi Automobile Services Co., Ltd. (“Pudong Youyi”) and Shanghai Pudong New District Public Transportation Co., Ltd. (“Pudong Public Transportation”) regarding the disposal of the entire equity interest in Jin Jiang Public Transportation from Jin Jiang Automobile Services and Pudong Youyi to Pudong Public Transportation at a consideration determined based on the property valuation of Jin Jiang Public Transportation as at 31 May 2009;
Note: the disposal under this agreement is the same disposal mentioned in paragraph (xxiv).
- (viii) a transfer agreement dated 23 June 2009 entered into between Jin Jiang (North) Management Company (“Jin Jiang North”) and the Company regarding the transfer of modified project under the construction for the operational facilities of Beijing Ship Building Hotel by Jin Jiang North to the Company at a consideration of RMB23,019,121;
- (ix) a limited liability company agreement of Hotel Acquisition Company, LLC (“HAC”) dated 6 July 2009 entered into between Capital Gathering, LLC and THI V Inca LLC regarding, inter alia, the establishment of HAC in Delaware, the United States at a total capital contribution not exceeding US\$100,000,000 for each party;
- (x) a Shanghai assets and equity transaction contract dated 24 August 2009 entered into between Shanghai Automobile Industrial (Group) Corporation (“Shanghai Automobile Industrial”) and Jin Jiang Automobile Services, and their respective agents (Shanghai Automobile Assets Operation Co., Ltd. and Jin Jiang Industrial Development) regarding the disposal of a 20% equity interest in Shanghai Jin Jiang Shanglv Automobile Services Joint Stock Limited Company (“Jin Jiang Shanglv”) from Shanghai Automobile Industrial to Jin Jiang Automobile Services at a consideration of RMB36,042,728.48;

- (xi) an assets swap and reorganization agreement dated 28 August 2009 and a supplemental reorganization agreement dated 29 September 2009 entered into between the Company and Jin Jiang Hotels Development regarding (a) a transfer of a 71.225% equity interest in Jin Jiang Inn, a 80% equity interest in Shanghai Jin Jiang International Hotel Investment Company Limited and a 99% equity interest in Shanghai Jin Jiang Da Hua Hotel Co., Ltd. (“Jin Jiang Da Hua”) from the Company to Jin Jiang Hotels Development; (b) a transfer of a 1% equity interest in Jin Jiang Da Hua from Shanghai Jin Jiang Hotel Co., Ltd. (“Shanghai Jin Jiang Hotel”) to Jin Jiang Hotels Development; (c) an acquisition of all assets and liabilities of Shanghai Jin Jiang International Hotels Development Company Limited New Asia Hotel, all assets and liabilities of Shanghai Jin Jiang International Hotels Development Company Limited Metropole Hotel, a 100% interest in Shanghai Jin Jiang International Management College, a 99% equity interest in Jin Jiang International Hotel Management Company Limited (“Jin Jiang International Hotel Management”), a 66.67% equity interest in Sofitel Hyland Shanghai, a 65% equity interest in Shanghai Jian Guo Hotel Company Limited, a 50% equity interest in Shanghai Jin Jiang Tomson Hotel Company Limited, a 50% equity interest in Wuhan Jin Jiang International Hotel Co., Ltd., a 50% equity interest in Thayer Jin Jiang Interactive Company Limited, a 40% equity interest in Shanghai Yangtze Hotel Company Limited and a 15% equity interest in Wenzhou Dynasty Hotel Company Limited from Jin Jiang Hotels Development to the Company; and (d) an acquisition of a 1% equity interest in Jin Jiang International Hotel Management from Min Hang Hotel Limited to the Company. The total consideration for the transactions set out in sub-paragraphs (a) and (b) was RMB2,728,248,405.05 and the total consideration for the transactions set out in sub-paragraphs (c) and (d) was RMB3,071,036,635.59;

Note: the disposal mentioned in sub-paragraphs (b) is the same disposal mentioned in paragraph (xii) and the disposal mentioned in sub-paragraph (d) is the same disposal mentioned in paragraph (xiii).

- (xii) a transfer agreement dated 28 August 2009 and a supplemental agreement dated 29 September 2009 regarding the disposal of a 1% equity interest in Jin Jiang Da Hua entered into between Shanghai Jin Jiang Hotel and Jin Jiang Hotels Development regarding the disposal of a 1% equity interest in Jin Jiang Da Hua from Shanghai Jin Jiang Hotel to Jin Jiang Hotels Development at a consideration of RMB1,165,994.95;

Note: the disposal mentioned under these agreement and supplemental agreement is the same disposal mentioned in sub-paragraph (b) of paragraph (xi).

- (xiii) a transfer agreement dated 28 August 2009 and a supplemental agreement dated 29 September 2009 regarding the disposal of a 1% equity interest in Jin Jiang International Hotel Management entered into between Min Hang Hotel Limited and the Company regarding the disposal of a 1% equity interest in Jin Jiang International Hotel Management from Min Hang Hotel Limited to the Company at a consideration of RMB4,002,500;

Note: the disposal mentioned under these agreement and supplemental agreement is the same disposal mentioned in sub-paragraph (d) of paragraph (xi).

- (xiv) a certain assets transfer agreement of Shanghai Electronic Automobile Services Co., Ltd. (“Shanghai Electronic”) dated 3 September 2009 entered into between Shanghai Electronic and Jin Jiang Automobile Services regarding (a) the disposal of the licenses over 132 taxis and the assets of 112 taxis and their parts from Shanghai Electronic to Jin Jiang Automobile Services at a consideration of RMB50,236,377; and (b) compensation for settlement of employees in the amount of RMB2,640,000;

Note: the disposal mentioned in sub-paragraph (a) is the same disposal mentioned in paragraph (xv).

- (xv) a Shanghai assets and equity transaction contract dated 4 September 2009 entered into between Shanghai Electronic and Jin Jiang Automobile Services, and their respective agents (Shanghai Electronic Group Assets Operation Co., Ltd and Gubei Agency) regarding the disposal of certain assets of Shanghai Electronic, including the intangible assets of 132 taxis and the fixed assets of 112 operating taxis, from Shanghai Electronic to Jin Jiang Automobile Services at a consideration of RMB50,236,377;

Note: the disposal under this contract is the same disposal mentioned in sub-paragraph (a) of paragraph (xiv).

- (xvi) a profit forecast compensation agreement dated 29 September 2009 entered into between Jin Jiang International and Jin Jiang Hotels Development regarding the agreement of Jin Jiang International to provide to Jin Jiang Hotels Development a cash compensation relating to the reorganization referred to in paragraph (xi);

- (xvii) a transfer agreement regarding 115 taxis and licenses of Shanghai Lingguang Industry Joint Stock Company (“Shanghai Lingguang”) dated 29 September 2009 entered into between Shanghai Lingguang and Jin Jiang Automobile Services regarding (a) the disposal of 115 taxis and their parts and licenses from Shanghai Lingguang to Jin Jiang Automobile Services at a consideration determined based on the valuation of the vehicles as at 31 July 2009; (b) compensation for settlement of employees in the amount of RMB2,300,000; and (c) compensation for operating income in the amount of RMB1,150,000;

Note: the disposal mentioned in sub-paragraph (a) is the same disposal mentioned in sub-paragraph (a) of paragraph (xxi).

- (xviii) a Shanghai assets and equity transaction contract dated 10 October 2009 entered into between Beijing Kunlun Hotels Co., Ltd. (“Beijing Kunlun”) and Jin Jiang Automobile Services, and their respective agents (Gubei Agency and Jin Jiang Industrial Development) regarding the disposal of a 10% equity interest in Jin Jiang Shanglv from Beijing Kunlun to Jin Jiang Automobile Services at a consideration of RMB18,021,364.24;

- (xix) an equity transfer agreement of Xi'an West Capital International Hotel Co., Ltd. ("West Capital Hotel") dated 16 October 2009 entered into between the Company and Xi'an Food Joint Stock Limited Company (Xi'an Food") regarding the disposal of the entire equity interest in West Capital Hotel from Xi'an Food to the Company at a consideration of RMB135,987,847.99;
- (xx) a shareholders' agreement on capital increase of Jing An Holding dated 3 November 2009 entered into between Jin Jiang Hotels (HK), China Bread Investment Limited ("China Bread"), China Bakery Group Limited ("China Bakery"), JJ Bakery Holdings Limited ("JJ Bakery") and Jing An Holding regarding, inter alia, the capital increase of Jing An Holding by subscription of 125,075,316 class A shares, 83,383,544 class A shares and 41,691,772 class B shares of Jing An Holding by China Bread, China Bakery and JJ Bakery in the amount of HK\$13,704,149, HK\$9,136,099 and HK\$4,568,050 respectively;
- (xxi) a Shanghai assets and equity transaction contract dated 6 November 2009 entered into between Shanghai Lingguang Industry Joint Stock Company ("Shanghai Lingguang") and Jin Jiang Automobile Services, and their respective agents (Shanghai Property Rights Group Co., Ltd. and Gubei Agency) regarding the disposal of certain assets of Shanghai Lingguang, including (a) the intangible assets of 115 taxis and (b) the fixed assets of 101 operating taxis, from Shanghai Lingguang to Jin Jiang Automobile Services at a consideration of RMB44,296,800;
- Note:* the disposal mentioned in sub-paragraph (a) is the same disposal mentioned in sub-paragraph (a) of paragraph (xvii).
- (xxii) a spin-off agreement regarding Shanghai Jin Jiang International Diwen Logistics Development Co., Ltd. ("Jin Jiang Diwen Logistics") dated 25 November 2009 entered into between Jin Jiang Investment and Jin Jiang Automobile Services regarding, inter alia, the spin-off and capital reduction of Jin Jiang Diwen Logistics, the winding up of the Huangpu branch of Jin Jiang Diwen Logistics and the establishment of Shanghai Shanghai Food Co., Ltd. ("Shanghai Food") with a registered capital of RMB25 million;
- (xxiii) a subscription risk statement of the equity investment collective fund trust plan of Pudong Development Bank Real Estate Company ("Pudong Real Estate) dated 2 December 2009 entered into between Shanghai International Trust Co., Ltd. and Jin Jiang Travel regarding the subscription of 20,000,000 class C preference trust units of Pudong Real Estate at a consideration of RMB20 million;
- (xxiv) a Shanghai assets and equity transaction contract dated 8 December 2009 entered into between Pudong Youyi, Jin Jiang Automobile Services and Pudong Public Transportation, and their respective agents (Gubei Agency for the first two companies and Shanghai Pudong Property Rights Agency Co., Ltd. for the third company) regarding the disposal of the entire equity interest in Jin Jiang Public Transportation from Pudong Youyi and Jin Jiang Automobile Services to Pudong Public Transportation at a total consideration of RMB15,739,618.36;

Note: the disposal under this agreement is the same disposal mentioned in paragraph (vii).

- (xxv) an agreement and plan of merger dated 18 December 2009 entered into between HAC, HAC Merger Sub, Inc., HAC Merger Partnership, L.P., IHR, and Interstate Operating Company, L.P. regarding the (a) merger of HAC Merger Sub, Inc. with and into IHR, with IHR as the surviving corporation and a wholly-owned subsidiary of HAC; and (b) merger of HAC Merger Partnership, L.P. with and into Interstate Operating Company, L.P., with Interstate Operating Company, L.P. as the surviving partnership. The total consideration for the transactions set out in sub-paragraphs (a) and (b) was USD75.30 million;
- (xxvi) a guarantee dated 18 December 2009 given by the Company in favour of IHR, and Interstate Operating Company, L.P. to guarantee the due and punctual performance and discharge of the payment obligations of Hotel Acquisition Company, LLC, HAC Merger Sub, Inc. and HAC Merger Partnership, L.P., under the agreement and plan of merger referred to in paragraph (xxv) to the extent that the Company's liabilities shall not exceed USD12.5 million;
- (xxvii) a state-owned assets and equity transaction contract dated 28 December 2009 entered into between Nanjing Foreign Exchange Commodities Supply Station of Overseas Supply Office under the Ministry of Foreign Affairs, Jin Jiang Travel, Nanjing Huate International Travel Communications Services Co., Ltd. (collectively, the "Transferors") and Mr. Sun Hualai regarding the disposal of a 80% equity interest in Jiangsu Jin Jiang Huate International Travel Agency Co., Ltd. from the Transferors to Mr. Sun Hualai at a consideration of RMB5,220,000;
- (xxviii) an equity transfer agreement dated 28 January 2010 entered into between the Company and Shanghai Sanhe Real Estate Co., Ltd. ("Shanghai Sanhe") regarding the disposal of a 30% equity interest in Chengdu Jinhe Real Estate Co., Ltd. ("Chengdu Jinhe") from the Company to Shanghai Sanhe at a consideration of RMB17,760,000;
- (xxix) a Shanghai assets and equity transaction (capital increase) contract dated 2 February 2010 entered into between Jing An Holding (as original investor), Jin Jiang Food and Beverage and Jing An Holding (as investor of the capital increase), and their respective agents (Jin Jiang Industrial Development for the first two companies and Gubei Agency for the third company) regarding the capital increase of Shanghai Jing An Bakery Co., Ltd. from US\$1,000,000 to US\$2,050,581 by Jing An Holding in the amount of RMB24,150,000;
- (xxx) a shareholders' agreement in relation to Interstate (China) Hotels & Resorts Co., Ltd. ("Interstate China Hotels") dated 1 April 2010 entered into between Jin Jiang Hotels (HK) and Interstate Europe S.A.R.L. regarding the establishment of Interstate China Hotels;

- (xxxix) a joint venture contract regarding the sino-foreign equity joint venture Shanghai Thayer Jin Jiang Equity Investment Management Co., Ltd. (“Shanghai Thayer”) dated 1 April 2010 entered into between the Company and Thayer International Capital LLC regarding the establishment of Shanghai Thayer;
- (xxxixii) a non-legally binding memorandum on the establishment of a China hotel industrial fund by way of promotion dated 1 April 2010 entered into between the Company and Thayer Lodging Group, Inc. regarding the proposed joint establishment of a China hotel and tourism industrial fund;
- (xxxixiii) a memorandum on the US training plan for the Company’s middle and senior management personnel dated 1 April 2010 entered into between the Company, IHR and Thayer Lodging Group, Inc. regarding a talent training for the Company’s middle and senior management personnel under the memorandum;
- (xxxixiv) an assets transfer agreement dated 8 April 2010 entered into between Shanghai Huilong Automobile Lease Co., Ltd. (“Huilong Lease”) and Jin Jiang Automobile Services regarding (a) the disposal of the fixed assets of 40 taxis and their parts and licenses from Huilong Lease to Jin Jiang Automobile Services at a consideration of RMB15,735,700; and (b) a settlement compensation in the amount of RMB1 million;
- Note:* the disposal mentioned in sub-paragraph (a) is the same disposal mentioned in paragraph (xxxv).
- (xxxixv) a Shanghai assets and equity transaction contract dated 29 April 2010 entered into between Huilong Lease and Jin Jiang Automobile Services, and their respective agents (the Property Rights Agency Department of Shanghai Textile Holdings (Group) Company and Gubei Agency) regarding the disposal of certain assets of Huilong Lease, i.e. the intangible assets of 40 taxis and the fixed assets of 40 operating taxis, by Huilong Lease to Jin Jiang Automobile Services at a consideration of RMB15,735,700;
- Note:* the disposal under this contract is the same disposal mentioned in sub-paragraph (a) of paragraph (xxxixiv).
- (xxxixvi) an equity transfer and capital increase agreement dated 24 May 2010 entered into between Mitsui & Co., (Asia Pacific) Pte. Ltd. (“Mitsui”), Jin Jiang Investment, Jin Jiang Automobile Services and Jin Jiang Diwen Logistics regarding (a) the disposal of a 38.33% equity interest in Jin Jiang Diwen Logistics from Jin Jiang Investment to Mitsui; (b) the disposal of a 5% equity interest in Jin Jiang Diwen Logistics by Jin Jiang Automobile Services to Mitsui; and (c) the increase of the registered capital of Jin Jiang Diwen Logistics from RMB75,000,000 to RMB83,338,235 after the above disposal. The total consideration for the transactions set out in sub-paragraphs (a) and (b) was RMB89,728,911;

(xxxvii) an equity transfer agreement dated 21 June 2010 entered into between Jin Jiang Hotels Development and 37 natural persons holding an aggregate of a 8.775% equity interest in Jin Jiang Inn regarding the acquisition of a 8.775% equity interest in Jin Jiang Inn from these 37 natural persons by Jin Jiang Hotels Development at a cash consideration of RMB132,380,527.50;

(xxxviii) a framework agreement dated 28 July 2010 entered into between Shanghai Jin Jiang International Hotels Investment Co., Ltd. (“Shanghai Jin Jiang Hotels Investment”), Shanxi Jinguang Investment Co., Ltd. (“Jinguang Investment”) and Shanxi Jinguang Kuaijie Hotels Management Co., Ltd. (“Jinguang Kuaijie”) regarding, inter alia, the acquisition of an aggregate 70% equity interest in Jinguang Kuaijie by Shanghai Jin Jiang Hotels Investment through capital increase or equity transfer at a consideration determined based on 70% of (a) the value of Jinguang Kuaijie as at 30 June 2010, (b) less the liabilities of Jinguang Kuaijie as at 30 June 2010, and (c) plus the cash of Jinguang Kuaijie as at 30 June 2010;

Note: the acquisition under this agreement is the same acquisition mentioned in paragraph (xli).

(xxxix) a Shanghai assets and equity transaction contract dated 10 August 2010 entered into between Jin Jiang Investment and Jin Jiang International, and their respective agents (Gubei Agency and Jin Jiang Industrial Development) regarding the disposal of a 1.87% equity interest in Shanghai East Jin Jiang Hotels Co., Ltd. from Jin Jiang Investment to Jin Jiang International at a consideration of RMB17,583,797;

(xl) the Share Transfer Agreement; and

(xli) a capital increase and equity transfer agreement dated 19 September 2010 entered into between Shanghai Jin Jiang Hotels Investment, Jinguang Investment and Jinguang Kuaijie regarding, inter alia, the acquisition of an aggregate 70% equity interest in Jinguang Kuaijie by Shanghai Jin Jiang Hotels Investment through capital increase and equity transfer at a total consideration of RMB134,104,300.

Note: the acquisition under this agreement is the same acquisition mentioned in paragraph (xxxviii).

8. MISCELLANEOUS

(a) One of the joint company secretaries of the Company is Mr. Kang Ming. Mr. Kang is a senior accountant. He graduated from the Shanghai University of Finance and Economic with a master’s degree in Economics. He was previously the board secretary of Jin Jiang Hotels Development. According to a confirmation letter received from the Stock Exchange on 14 December 2009, Mr. Kang had complied with the requirements for company secretaries set out in Rule 8.17(3) of the Listing Rules. The other joint company secretary of the Company is Mr. Ngai Wai Fung. Mr. Ngai is currently vice president of The Hong Kong Institute of Chartered Secretaries (HKICS) and the Chairman of its Membership Committee.

He is also a fellow of HKICS and the Institute of Chartered Secretaries and Administrators in United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Ngai holds a Master of Corporate Finance from The Hong Kong Polytechnic University, a Master of Business Administration from Andrews University of the United States and a Bachelor of Laws (with Honours) degree from the University of Wolverhampton, the United Kingdom.

- (b) The legal address of the Company in the PRC is Room 316–318, No. 24 Yang Xin Dong Road, Shanghai, the PRC and the principal places of business of the Company in the PRC is 26/F., Union Building, No. 100 Yan'an East Road, Shanghai, the PRC (Puxi) and 13th Floor, Youyou Yanqiao Building, No. 489 Pudian Road, Shanghai, the PRC (Pudong). The Hong Kong H Share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

9. QUALIFICATIONS OF EXPERTS AND CONSENTS

The following is the qualification of the expert or professional adviser who has given opinion or advice contained in this circular:

Name	Qualifications
CIMB	Licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Deloitte Touche Tohmatsu	Certified Public Accountants

CIMB, PricewaterhouseCoopers and Deloitte Touche Tohmatsu have given and have not withdrawn their respective written consent to the issue of this circular with the inclusion of their respective letter and reference to their respective name in the form and context in which they respectively appear.

10. INTERESTS OF EXPERTS

As at the Latest Practicable Date, each of CIMB, PricewaterhouseCoopers and Deloitte Touche Tohmatsu:

- (a) was not interested in any shareholding in any member of the Group nor did they have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shareholding in any member of the Group.
- (b) did not have any direct or indirect interest in any assets which have been, since 31 December 2009 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong for a period of 14 days (excluding Saturdays) from the date of this circular:

- (i) Articles of Association;
- (ii) the interim report of the Company for the six months ended 30 June 2010 and the annual reports of the Company for the three financial years ended 31 December 2007, 31 December 2008 and 31 December 2009 respectively;
- (iii) the Share Transfer Agreement;
- (iv) the material contracts as referred to in the paragraph headed "Material Contracts" in this Appendix;
- (v) the letter dated 30 September 2010 from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 40 to 41 of this circular;
- (vi) the opinion letter dated 30 September 2010 from the Independent Financial Adviser, the text of which is set out on pages 42 to 78 of this circular;
- (vii) the written consents as referred to in the paragraph headed "Consents of Experts" in this Appendix;
- (viii) an accountants' report of the Jin Jiang Investment Group, the text of which is set out in Appendix IIA to this circular;
- (ix) an accountants' report of the Jin Jiang Travel Group, the text of which is set out in Appendix IIB to this circular;

- (x) the report on unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular; and
- (xi) this circular.

NOTICE OF EGM



Shanghai Jin Jiang International Hotels (Group) Company Limited* 上海錦江國際酒店(集團)股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02006)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Shanghai Jin Jiang International Hotels (Group) Company Limited (the “Company”) will be held at 9 a.m. on Monday, 15 November 2010 at Tomson Hall, InterContinental Pudong Shanghai, No. 777 Zhang Yang Road, Shanghai, the People's Republic of China for the following purposes, and unless otherwise defined herein, the terms used herein shall have the same meanings as defined in the circular to the shareholders of the Company dated 30 September 2010 (the “Circular”):

ORDINARY RESOLUTION

1. (a) To consider and approve the Acquisitions under the Share Transfer Agreement, details of which are set out in the Circular;
- (b) To consider and approve granting to the Board an authorization to do all such acts and things, to sign and execute all such further documents and to take such steps as the Board may in its absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Acquisitions and all other matters incidental thereto;
- (c) To consider and approve granting to the Board an authorization to further authorize any Executive Director to exercise the authorization granted to the Board in resolution number 1(b) above, unless otherwise prescribed by relevant laws and regulations; and
- (d) This resolution number 1 shall be valid for a period of 12 months after the date of passing of this resolution and resolution number 1 set out in the notice of the H Shareholders' Class Meeting dated 30 September 2010.

SPECIAL RESOLUTIONS

2. (a) Subject to the passing of resolution number 1 above, to consider and approve granting to the Directors a authorization to allot and issue 1,001,000,000 new Domestic Shares of the Company at a price of HK\$2.2 each to Jin Jiang International (the “Special Mandate”) as settlement of part of the consideration for the Acquisitions upon and subject to the satisfaction of

* *The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name and the English name “Shanghai Jin Jiang International Hotels (Group) Company Limited”.*

NOTICE OF EGM

all the Condition Precedents. The Special Mandate is in addition to, and shall not prejudice nor revoke any existing general mandate granted to the Directors by the shareholders of the Company or such other general or special mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and

- (b) This resolution number 2 shall be valid for a period of 12 months after the date of passing of this resolution and resolution number 2 set out in the notice of the H Shareholders' Class Meeting dated 30 September 2010; and
3. Subject to the passing of resolutions number 1 and 2 above, to consider and approve the proposed amendments to the Articles of Association, details of which are set out in the Circular. The proposed amendments shall take effect after the passing of this resolution and completion of relevant approval, registration or filing procedures in the PRC.

The Articles of Association are written in Chinese and there is no official English translation in respect thereof. Accordingly, the English translation is for reference only. In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

By order of the board of directors
Shanghai Jin Jiang International Hotels (Group) Company Limited
Kang Ming
Executive Director and Joint Company Secretary

Shanghai, the PRC, 30 September 2010

Notes:

- (A) For the purpose of holding the EGM, the Register of Members will be closed from Saturday, 16 October 2010 to Sunday, 14 November 2010 (both dates inclusive), during which period no share transfers will be registered. Shareholders of the Company whose names appear on the Register of Members at the close of business on Sunday, 14 November 2010 are entitled to attend and vote at the EGM.

In order to attend the EGM, holders of the H Shares of the Company shall lodge all transfer documents together with the relevant share certificates to Computershare Hong Kong Investor Services Limited, the Company's H shares registrar, not later than 4: 30 p.m. on Friday, 15 October 2010. The address of Computershare Hong Kong Investor Services Limited is as follows:

Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

NOTICE OF EGM

Holders of the Domestic Shares of the Company shall lodge all transfer documents together with the relevant share certificates to the Joint Company Secretarial Office of the Company, not later than 4:30 p.m. on Friday, 15 October 2010. The address of the Joint Company Secretarial Office of the Company is as follows:

26th Floor, Union Building
No. 100 Yan'an East Road
Shanghai
the People's Republic of China
Post code: 200002
Tel: (86 21) 6326 4000
Fax: (86 21) 6323 8221

- (B) Holders of the Shares of the Company, who intend to attend the EGM, must complete the reply slips and return them to the Joint Company Secretarial Office of the Company not later than 20 days before the date of the EGM, i.e. no later than Tuesday, 26 October 2010.
- (C) Each holder of the H Shares of the Company who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the EGM.
- (D) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing or, in the case of a corporation, must be either executed under its common seal or under the hand of its directors(s) or duly authorised attorney(s). If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other authorisation documents, must be notarised.
- (E) To be valid, for holders of the H Shares of the Company, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
- (F) Each holder of the Domestic Shares of the Company is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on its behalf at the EGM. Notes (C) to (E) also apply to holders of the Domestic Shares of the Company, except that the proxy form or other documents of authority must be delivered to the Joint Company Secretarial Office of the Company, the address of which is set out in Note (B) above, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
- (G) If a proxy attends the EGM on behalf of a shareholder, he should produce his identity card and the form of proxy signed by the shareholder or his legal representative or his duly authorised attorney, and specify the date of its issuance. If a corporate

NOTICE OF EGM

shareholder appoints its corporate representative to attend the EGM, such representative should produce his/her identity card and the notarised copy of the resolution passed by the board of directors or other authorities of such corporate shareholder.

- (H) In accordance with the requirements of Rule 13.39(4) of the Listing Rules, all votes of the shareholders to be taken at a general meeting shall be taken by poll. Therefore, according to Articles 8.18 of the articles of association of the Company, a poll will be demanded by the chairman of the EGM so that all resolutions set out in this notice of EGM will be decided on a poll.

On a poll taken at the meeting, a shareholder (including proxy) entitled to two or more votes need not cast all his or her votes in the same way.

- (I) The EGM is expected to last for half a day. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.

As at the date of this notice, the executive Directors are Mr. Yu Minliang, Ms. Chen Wenjun, Mr. Yang Weimin, Mr. Chen Hao, Mr. Xu Zurong, Mr. Han Min and Mr. Kang Ming, the non-executive Director is Mr. Shen Maoxing, and the independent non-executive Directors are Mr. Ji Gang, Mr. Xia Dawei, Mr. Sun Dajian, Dr. Rui Mingjie, Mr. Yang Menghua, Dr. Tu Qiyu, Mr. Shen Chengxiang and Mr. Lee Chung Bo.

* *The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name and the English name "Shanghai Jin Jiang International Hotels (Group) Company Limited".*

NOTICE OF H SHAREHOLDERS' CLASS MEETING



Shanghai Jin Jiang International Hotels (Group) Company Limited* 上海錦江國際酒店(集團)股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02006)

NOTICE IS HEREBY GIVEN that the H shareholders' class meeting (the "**H Shareholders' Class Meeting**") of Shanghai Jin Jiang International Hotels (Group) Company Limited (the "**Company**") will be held at Tomson Hall, InterContinental Pudong Shanghai, No. 777 Zhang Yang Road, Shanghai, the People's Republic of China at 10 a.m., or immediately after the conclusion of the extraordinary general meeting of the Company held earlier on the same date on Monday, 15 November 2010 or any adjournment thereof, for the following purposes, and unless otherwise defined herein, the terms used herein shall have the same meanings as defined in the circular to the shareholders of the Company dated 30 September 2010 (the "**Circular**"):

ORDINARY RESOLUTION

1. (a) To consider and approve the Acquisitions under the Share Transfer Agreement, details of which are set out in the Circular;
- (b) To consider and approve granting to the Board an authorization to do all such acts and things, to sign and execute all such further documents and to take such steps as the Board may in its absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Acquisitions and all other matters incidental thereto;
- (c) To consider and approve granting to the Board an authorization to further authorize any Executive Director to exercise the authorization granted to the Board in resolution number 1(b) above, unless otherwise prescribed by relevant laws and regulations; and
- (d) This resolution number 1 shall be valid for a period of 12 months after the date of passing of this resolution and resolution number 1 set out in the notice of the extraordinary general meeting of the Company dated 30 September 2010.

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NOTICE OF H SHAREHOLDERS' CLASS MEETING

SPECIAL RESOLUTION

2. (a) Subject to the passing of resolution number 1 above, to consider and approve granting to the Directors an authorization to allot and issue 1,001,000,000 new Domestic Shares of the Company at a price of HK\$2.2 each to Jin Jiang International (the "Special Mandate") as settlement of part of the consideration for the Acquisitions upon and subject to the satisfaction of all the Condition Precedents. The Special Mandate is in addition to, and shall not prejudice nor revoke any existing general mandate granted to the Directors by the shareholders of the Company or such other general or special mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and
- (b) This resolution number 2 shall be valid for a period of 12 months after the date of passing of this resolution and resolution number 2 set out in the notice of the extraordinary general meeting of the Company dated 30 September 2010.

By order of the board of directors
Shanghai Jin Jiang International Hotels (Group) Company Limited
Kang Ming
Executive Director and Joint Company Secretary

Shanghai, the PRC, 30 September 2010

Notes:

- (A) For the purpose of holding the H Shareholders' Class Meeting, the Register of Members will be closed from Saturday, 16 October 2010 to Sunday, 14 November 2010 (both dates inclusive), during which period no share transfers will be registered. Shareholders of the Company whose names appear on the Register of Members at the close of business on Sunday, 14 November 2010 are entitled to attend and vote at the H Shareholders' Class Meeting.

In order to attend the H Shareholders' Class Meeting, holders of the H Shares of the Company shall lodge all transfer documents together with the relevant share certificates to Computershare Hong Kong Investor Services Limited, the Company's H shares registrar, not later than 4: 30 p.m. on Friday, 15 October 2010. The address of Computershare Hong Kong Investor Services Limited is as follows:

Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

NOTICE OF H SHAREHOLDERS' CLASS MEETING

- (B) Holders of the H Shares of the Company, who intend to attend the H Shareholders' Class Meeting, must complete the reply slips and return them to the Joint Company Secretarial Office of the Company not later than 20 days before the date of the H Shareholders' Class Meeting, i.e. no later than Tuesday, 26 October 2010.

Details of the Joint Company Secretarial Office of the Company are as follows:

26th Floor, Union Building
No. 100 Yan'an East Road
Shanghai
the People's Republic of China
Post code: 200002
Tel: (86 21) 6326 4000
Fax: (86 21) 6323 8221

- (C) Each holder of the H Shares of the Company who has the right to attend and vote at the H Shareholders' Class Meeting is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the H Shareholders' Class Meeting.
- (D) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing or, in the case of a corporation, must be either executed under its common seal or under the hand of its directors(s) or duly authorised attorney(s). If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other authorisation documents, must be notarised.
- (E) To be valid, for holders of the H Shares of the Company, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the H Shareholders' Class Meeting or any adjournment thereof in order for such documents to be valid.
- (F) If a proxy attends the H Shareholders' Class Meeting on behalf of a shareholder, he should produce his identity card and the form of proxy signed by the shareholder or his legal representative or his duly authorised attorney, and specify the date of its issuance. If a corporate shareholder appoints its corporate representative to attend the H Shareholders' Class Meeting, such representative should produce his/her identity card and the notarised copy of the resolution passed by the board of directors or other authorities of such corporate shareholder.

NOTICE OF H SHAREHOLDERS' CLASS MEETING

- (G) In accordance with the requirements of Rule 13.39(4) of the Listing Rules, all votes of the shareholders to be taken at a general meeting shall be taken by poll. Therefore, according to Articles 8.18 of the articles of association of the Company, a poll will be demanded by the chairman of the H Shareholders' Class Meeting so that all resolutions set out in this notice of H Shareholders' Class Meeting will be decided on a poll.

On a poll taken at the meeting, a shareholder (including proxy) entitled to two or more votes need not cast all his or her votes in the same way.

- (H) The H Shareholders' Class Meeting is expected to last for half a day. Shareholders attending the H Shareholders' Class Meeting are responsible for their own transportation and accommodation expenses.

As at the date of this notice, the executive Directors are Mr. Yu Minliang, Ms. Chen Wenjun, Mr. Yang Weimin, Mr. Chen Hao, Mr. Xu Zurong, Mr. Han Min and Mr. Kang Ming, the non-executive Director is Mr. Shen Maoxing, and the independent non-executive Directors are Mr. Ji Gang, Mr. Xia Dawei, Mr. Sun Dajian, Dr. Rui Mingjie, Mr. Yang Menghua, Dr. Tu Qiyu, Mr. Shen Chengxiang and Mr. Lee Chung Bo.

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